

Communities of Coastal Georgia
Foundation, Inc.

Financial Report

December 31, 2018 and 2017

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activity	3
Statements of Cash Flows	4
Notes to Financial Statements	5



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Communities of Coastal Georgia Foundation, Inc.
St. Simons Island, Georgia

We have audited the accompanying financial statements of Communities of Coastal Georgia Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities of Coastal Georgia Foundation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moore Stephens Tiller LLC

Brunswick, Georgia
August 5, 2019

Communities of Coastal Georgia Foundation, Inc.

Statements of Financial Position

December 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,895,751	\$ 3,478,261
Accounts receivable	277	63
Pledges receivable	-	25,000
Grants receivable	40,000	-
Beneficial interest in remainder trusts	87,327	85,184
Beneficial interest in lead trust	252,879	377,717
Investments, at fair value	14,514,846	15,333,483
Prepaid expenses	3,782	6,737
Security deposit	735	735
Property held for sale	355,000	-
Total Assets	<u>\$ 19,150,597</u>	<u>\$ 19,307,180</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 12,015	\$ 8,871
Accrued expenses	754	-
Deferred revenue	40,000	-
Amounts held to benefit agency funds	<u>2,186,620</u>	<u>2,232,715</u>
Total Liabilities	<u>2,239,389</u>	<u>2,241,586</u>

Net Assets

Without donor restrictions	16,523,425	16,558,233
With donor restrictions	<u>387,783</u>	<u>507,361</u>
Total net assets	<u>16,911,208</u>	<u>17,065,594</u>
Total Liabilities and Net Assets	<u>\$ 19,150,597</u>	<u>\$ 19,307,180</u>

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Statements of Activity

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Change in Net Assets without Donor Restrictions:		
Support and Revenue		
Contributions	\$ 3,593,587	\$ 2,987,274
Investment income	290,135	246,607
Management fee	11,718	12,572
Other income	-	51
Loss from sale of artwork held for sale	-	(65,000)
Loss from sale of contributed real property	(19,174)	-
Rent income, net of expenses	6,330	-
Realized and unrealized gains (losses)	<u>(1,102,379)</u>	<u>1,521,867</u>
	2,780,217	4,703,371
Net assets released from restriction	<u>166,883</u>	<u>335,870</u>
Total Support and Reclassifications without Donor Restrictions	<u>2,947,100</u>	<u>5,039,241</u>
Expenses		
Grants paid	2,660,156	1,807,245
Operating Expenses		
Salaries	191,320	179,905
General and administrative	<u>130,432</u>	<u>127,154</u>
Total operating expenses	<u>321,752</u>	<u>307,059</u>
Total Grants and Operating Expenses without Donor Restrictions	<u>2,981,908</u>	<u>2,114,304</u>
Increase (Decrease) in Net Assets without Donor Restrictions	<u>(34,808)</u>	<u>2,924,937</u>
Changes in Net Assets with Donor Restrictions		
Contributions	40,000	-
Change in value of split-interest agreements	7,305	10,520
Net assets released from restrictions	<u>(166,883)</u>	<u>(335,870)</u>
Decrease in Net Assets with Donor Restrictions	<u>(119,578)</u>	<u>(325,350)</u>
Increase (Decrease) in Net Assets	<u>(154,386)</u>	<u>2,599,587</u>
Net Assets, Beginning	<u>17,065,594</u>	<u>14,466,007</u>
Net Assets, Ending	<u>\$ 16,911,208</u>	<u>\$ 17,065,594</u>

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (154,386)	\$ 2,599,587
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gains) and losses on investments	1,102,379	(1,521,867)
Contributions of securities	(1,759,303)	(887,258)
Contribution of real property	(810,000)	-
Loss on sale of noncash assets	19,174	65,000
Changes in operating assets and liabilities:		
Accounts receivable	(214)	33
Grants receivable	(40,000)	30,000
Pledges receivable	25,000	175,870
Beneficial interest in remainder trusts	(2,143)	(2,048)
Beneficial interest in lead trust	124,838	121,528
Prepaid expenses	2,955	837
Assets held for deferred compensation arrangement	-	40,780
Accounts payable	3,144	(993)
Deferred compensation payable	-	(40,780)
Deferred revenue	40,000	-
Accrued expenses	754	-
Amounts held to benefit agency funds	(46,095)	(147,988)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(1,493,897)</u>	<u>432,701</u>
Cash Flows From Investing Activities		
Proceeds from sale of artwork held for sale, net of selling expenses	-	410,000
Proceeds from sale of real property held for sale, net of selling expenses	435,826	-
Purchase of investments	(5,103,181)	(8,680,241)
Sale of investments	<u>6,578,742</u>	<u>8,849,123</u>
<i>Net Cash Provided by Investing Activities</i>	<u>1,911,387</u>	<u>578,882</u>
Net Change in Cash and Cash Equivalents	417,490	1,011,583
Cash and Cash Equivalents, Beginning	<u>3,478,261</u>	<u>2,466,678</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,895,751</u>	<u>\$ 3,478,261</u>
Supplemental schedule of noncash investing and financing activities		
Real property acquired from donor contributions	<u>\$ 810,000</u>	<u>\$ -</u>
Investment securities acquired from donor contributions	<u>\$ 1,759,303</u>	<u>\$ 887,258</u>

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

General: Communities of Coastal Georgia Foundation, Inc. (the “Foundation”) is a publicly-supported community foundation based in Glynn County. The Foundation was established in 2005 for the purpose of improving the quality of life in Coastal Georgia by promoting and increasing responsible, effective philanthropy.

The Foundation provides grants to charitable organizations throughout Camden, Glynn, and McIntosh Counties in Southeast Georgia. Through the Foundation’s donor advised funds, grants can be made to any qualified nonprofit organization in the United States of America.

Basis of Presentation: The Foundation follows standards established by the Financial Accounting Standards Board (the “FASB”). References to Generally Accepted Accounting Principles (“GAAP”) in these notes are to *FASB Accounting Standards Codification*, sometimes referred to as the “Codification” or “ASC”. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, GAAP requires that resources be classified into categories established according to their nature and purpose. The Foundation reports its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions (see Note 14).

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted (see Note 14).

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purposes for which the contributions are intended. Pursuant to the Foundation's articles of incorporation and by-laws, as well as all fund agreements by and between the Foundation and donors, the Board of Directors maintains ultimate authority and control over contributions received and the related income and net change in value realized thereon. As a result of this "variance power", net assets are all classified to net assets without donor restrictions, unless otherwise encumbered by a time stipulation.

Contributions: In accordance with GAAP, contributions received as well as unconditional promises to give are recognized in the year received. Contributions with donor-imposed restrictions are reported as funds with donor restrictions revenue. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same year are reported as contributions without donor restrictions.

Cash: Cash includes highly liquid investments that are readily convertible into cash and have a maturity of twelve months or less when purchased. Cash and cash equivalents held by investment money managers are classified with investments in these financial statements.

Cash equivalents also include a Certificate of Deposit (CD) account that holds multiple tradable CDs. The

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Foundation purchases the CDs with lateral maturity dates for the purpose of steady cash flow. The Foundation defines lateral maturity dates as no greater than 6 months between the maturity dates of each lateral CD. The Foundation purchases the CDs with the intent to hold each CD until full maturity.

On occasion, the Foundation maintains cash balances on deposit with financial institutions in excess of federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure of loss to be minimal.

Pledges Receivable: Pledges receivable are stated at the present value of their estimated future cash flows. Pledges receivable consist of unconditional promises to give that are expected to be collected in future years. The discount on these amounts is computed using risk-free rates applicable in the years in which those promises are received. Amortization of the discounts is included in “contributions” in the accompanying statement of activities. Pledges receivable are reviewed for collectability and reserves for uncollected amounts are established when indication warrants the need. Concentrations of credit risk with respect to pledges receivable are, in management's opinion, considered minimal due to the Foundation's diverse donor base.

Accounts and Grants Receivable: Receivables are stated at the amount the Foundation expects to collect from balances outstanding. The Foundation closely monitors outstanding balances throughout the year and writes off all balances that are considered uncollectible.

Beneficial Interest in Remainder Trusts: The Foundation is named beneficiary of two charitable remainder trusts that are controlled by third parties. The assets for the contribution receivable were recorded as net assets with donor restrictions when the Foundation was notified of the trusts' existences. The receivable is stated at present value of the amount expected to be received. Under the terms of both trusts, the Foundation will receive the contribution at the donor's death. Present value is determined using an appropriate discount rate and actuarially determined life expectancies. The net revaluation based on the calculation to determine present value is recorded as change in value of split-interest agreements on the Statements of Activity. Any change in the value of the assets in the charitable remainder trust is reported in contributions of net assets with donor restrictions when the Foundation is aware of the value change.

Beneficial Interest in Lead Trust: During 2011, the Foundation was named beneficiary of a charitable lead annuity trust that is controlled by a trustee who is a former member of the Foundation's board of directors. The trust provides \$130,000 per year to the Foundation for ten years. The assets for the contribution receivable were recorded as net assets with donor restrictions when the Foundation was notified of the trust's existence. The receivable is stated at present value of the amount to be received. Present value is determined using an appropriate discount rate. The net revaluation is recorded as a change in value of split-interest agreements on the Statements of Activity.

Investments: Investments in equity securities and mutual funds are carried at fair value based on unadjusted quoted market prices. Fixed income securities are valued based upon yields or prices of securities of comparable quality, coupon, maturity and type as well as indications as to values from brokers and dealers. Investment income and gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the value of investment securities, it is reasonably possible that risks in the near term could materially affect the amounts reported in the accompanying financial statements.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Property and Equipment: Property and equipment are stated at cost. Acquisitions in excess of \$2,500 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. For the years ending December 31, 2018 and 2017, the Foundation's property and equipment are fully depreciated.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in these financial statements. Actual results may differ from those estimates.

Income Taxes: The Foundation is a qualifying, nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code and as such is generally exempt from federal and state income taxes. The Foundation may be subject to income taxes if it failed to maintain its exempt status or if it conducted certain unrelated business activity. The Foundation has evaluated both its federal and state income tax positions, including positions that could have an effect on the Foundation's exempt status, and has concluded that it has no uncertain tax positions that require disclosure. The Foundation files informational returns in the U.S. federal jurisdiction and one state jurisdiction. Interest and penalties are expensed as incurred. No interest or penalties were charged to expense for the years ending December 31, 2018 and 2017.

Reclassifications: Certain amounts in the December 31, 2017 financial statements have been reclassified to conform to the presentation utilized at December 31, 2018. These reclassifications have no impact on previously reported financial position, change in net assets, or cash flows.

NOTE 2 – PLEDGES RECEIVABLE

There are no pledges receivable as of December 31, 2018. As of December 31, 2017, pledges receivable in the amount of \$25,000 were expected to be collected in less than one year. No discount is applied to pledge receivables expected to be collected in less than one year.

NOTE 3 – GRANTS RECEIVABLE

In 2018, the Foundation was awarded a multiyear grant in the amount of \$80,000 to be received in two annual payments. The grant is restricted for the purpose of expanding the staff of the Foundation. The Foundation received the first payment of \$40,000 in 2018. The amount expended of the grant in 2018 was \$11,883. The remaining balance of \$28,117 is included in net assets with donor restrictions. The grant receivable balance as of December 31, 2018 is \$40,000. Since this is a multiyear grant, the remaining balance of \$40,000 will not be earned by the Foundation until 2019. The Foundation has reported the remaining balance of \$40,000 as deferred revenue on the Statements of Financial Position.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 4 – BENEFICIAL INTEREST IN REMAINDER TRUSTS

The receivable from split-interest agreements provided by charitable remainder unitrusts represents the estimated net present value of the Foundation's interest in irrevocable trusts held by third parties. The balance of this receivable is as follows at December 31, 2018 and 2017:

	2018	2017
Beneficial interest in remainder trusts	\$ 96,400	\$ 96,400
Less discount to present value	(9,073)	(11,216)
	<u>\$ 87,327</u>	<u>\$ 85,184</u>

Actuarial assumptions published by the Social Security Administration and a discount rate range from 0.28% to 4.89% were used in calculating the present value.

NOTE 5 – BENEFICIAL INTEREST IN LEAD TRUST

The receivable from a split-interest agreement provided by a charitable lead annuity trust represents the estimated net present value of the Foundation's interest in an irrevocable trust held by a third party. The balance of this receivable is as follows at December 31, 2018 and 2017:

	2018	2017
Beneficial interest in lead trust	\$ 260,000	\$ 390,000
Less discount to present value	(7,121)	(12,283)
	<u>\$ 252,879</u>	<u>\$ 377,717</u>

A discount rate of 2.48% for 2018 and 1.98% for 2017 equal to the 2-year and 3-year United States Treasury rate was used in calculating the present value, respectively.

NOTE 6 – ARTWORK HELD FOR SALE

In 2014, a donor contributed artwork to the Foundation, and the Foundation immediately listed it for sale. The artwork was recorded at the appraised value of \$510,000 at the date of the contribution. The value of the artwork held for sale declined during 2016. The decline in the value was recorded on the Statements of Activity in contributions. The artwork was sold in 2017 with a sales price of \$475,000. The Foundation incurred \$65,000 in commissions related to the sale of the artwork in 2017. The sale of the artwork resulted in a loss of \$65,000 reported on the Statements of Activity.

NOTE 7 – PROPERTY HELD FOR SALE

In 2018, a donor contributed two properties to the Foundation, and the Foundation intended to immediately sell both properties. The properties were recorded at each property's respective selling price of \$455,000 and \$355,000. The first property was sold in 2018 at a loss of \$19,174 due to closing costs and commissions. The loss on the sale was recorded on the Statements of Activity.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

The Foundation collected rent on the 2nd property through the end of its current lease. Rental income was reported net of expenses on the Statements of Activity. Property held for sale for the year ended December 31, 2018 totaled \$355,000 (See Note 17).

NOTE 8 – ENDOWMENT FUND

As of December 31, 2018 and 2017, the Board of Directors had designated \$4,886,635 and \$5,212,888, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Foundation has a spending policy of appropriating for distribution each year 5% of its board-designated endowment fund's average asset value calculated on September 30 each year over a rolling twelve-quarter period. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its general endowment fund to grow at a minimum of 5% annually, plus inflation. Therefore, the Directors reserve the right in any given year to spend below its 5% spending policy level.

To achieve its investment objectives, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equities, fixed income securities, cash reserves and alternatives. The allocation of assets should adhere to the following guidelines:

Asset Class	Minimum	Maximum
Equities	40%	70%
Fixed income	2%	29%
Hedge Funds	0%	22%
Real Estate	0%	11%
Commodities	0%	13%
Cash reserves	0%	20%

Composition of and changes in endowment net assets for the year ended December 31, 2018 and 2017 were as follows:

	2018	2017
Board-designated endowment net assets, beginning of year	\$ 5,212,888	\$ 4,473,350
Contributions	180,780	190,868
Interest and dividends, net of fees	87,737	89,834
Realized/unrealized gains (losses)	(436,478)	605,150
Transfer from (to) nonendowed net assets	(113,144)	(113,604)
Amounts appropriated for expenditure	(45,148)	(32,710)
Board-designated endowment net assets, end of year	\$ 4,886,635	\$ 5,212,888

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 9 – INVESTMENTS

Investments were comprised of the following at December 31, 2018 and 2017:

	2018	2017
Equities	\$ 9,783,159	\$ 10,153,932
Fixed income	3,435,894	3,121,361
Hedge funds	358,664	1,341,293
Cash reserves	937,129	716,897
	<u>\$ 14,514,846</u>	<u>\$ 15,333,483</u>

Investment income as reported on the Statements of Activity is net of investment fees. Investment fees for the year ended December 31, 2018 and 2017 totaled \$53,120 and \$49,500, respectively.

NOTE 10 – FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Foundation discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of fair value as follows:

Level 1 — Valuation is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical investments.

Level 2 — Valuation is based on inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active and investments in investees which may permit redemption at the net asset value (or equivalent) within the near-term of the measurement date.

Level 3 — Valuation is based on unobservable inputs and investments in investees which do not permit redemption at the net asset value (or equivalent) within the near-term of the measurement date.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

When available, the Foundation uses quoted market prices to determine the fair value of investment securities. These investments are included in Level 1 and primarily consist of equity securities and mutual funds. For investments held in hedge funds that do not have quoted market prices, the Foundation uses other inputs including estimates provided by the investment managers. To the extent that the investments held in hedge funds offer liquidity at least quarterly, hedge funds are categorized in Level 2; otherwise, they are categorized in Level 3. The Foundation also uses other observable inputs including market interest rate curves and credit spreads, where applicable. These investments are included in Level 2 and primarily consist of fixed income; otherwise, they are categorized in Level 3.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

Assets as of December 31, 2018 and 2017 measured at fair value are summarized below:

December 31, 2018:

	Level 1	Level 2	Level 3	Total
Equities	\$ 9,783,159	\$ -	\$ -	\$ 9,783,159
Fixed income	3,435,894	-	-	3,435,894
Hedge funds	-	358,664	-	358,664
Cash and cash equivalents	937,129	-	-	937,129
Total Investments	14,156,182	358,664	-	14,514,846
Receivables under split-interest agreements	-	-	340,206	340,206
Total Assets Measured at Fair Value	<u>\$ 14,156,182</u>	<u>\$ 358,664</u>	<u>\$ 340,206</u>	<u>\$ 14,855,052</u>

December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equities	\$ 10,153,932	\$ -	\$ -	\$ 10,153,932
Fixed income	3,121,361	-	-	3,121,361
Hedge funds	-	1,341,293	-	1,341,293
Cash and cash equivalents	716,897	-	-	716,897
Total Investments	13,992,190	1,341,293	-	15,333,483
Receivables under split-interest agreements	-	-	462,901	462,901
Total Assets Measured at Fair Value	<u>\$ 13,992,190</u>	<u>\$ 1,341,293</u>	<u>\$ 462,901</u>	<u>\$ 15,796,384</u>

The Level 3 agreements are reported at their net present values as described in Note 4 and Note 5. They are subject to specific significant unobservable inputs, which are summarized as follows:

	Fair Value at 12/31/2018	Valuation Method	Significant Unobservable Inputs	Range of Inputs
Beneficial interest in remainder trust	\$ 43,328	Discounted Cash Flow	Life Expectancy (years) Discount Rate	3 4.89%
Beneficial interest in remainder trust	43,999	Discounted Cash Flow	Life Expectancy (years) Discount Rate	19 0.28%
Beneficial interest in lead trust	252,879	Discounted Cash Flow	Duration (months) Discount Rate	24 2.48%
	<u>\$ 340,206</u>			

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

	Fair Value at 12/31/2017	Valuation Method	Significant Unobservable Inputs	Range of Inputs
Beneficial interest in remainder trust	\$ 41,308	Discounted Cash Flow	Life Expectancy (years) Discount Rate	4 4.89%
Beneficial interest in remainder trust	43,876	Discounted Cash Flow	Life Expectancy (years) Discount Rate	20 0.28%
Beneficial interest in lead trust	377,717	Discounted Cash Flow	Duration (months) Discount Rate	36 1.93%
	<u>\$ 462,901</u>			

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Statements of Financial Position using significant unobservable (Level 3) inputs:

	2018	2017
Beginning Balance	\$ 462,901	\$ 582,381
Change in value	7,305	10,520
Annuity payments	(130,000)	(130,000)
Ending Balance	<u>\$ 340,206</u>	<u>\$ 462,901</u>

NOTE 11 – AMOUNTS HELD TO BENEFIT AGENCY FUNDS

The Foundation received assets from four not-for-profit organizations to establish funds. The Organizations specified themselves as the sole beneficiary of the funds. Accounting standards require that the Foundation account for these transfers of assets as a liability. The Foundation has reported this liability as amounts held to benefit agency funds on the Statements of Financial Position.

The Foundation maintains variance power and legal ownership of the agency funds, and as such continues to report these funds as assets of the Foundation. In accordance with GAAP, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to these not-for-profit organizations.

The fair market value of the agency funds at December 31, 2018 and 2017 was \$2,186,620 and \$2,232,715, respectively. Financial activity related to these funds for the years ended December 31, 2018 and 2017 are excluded from the Foundation's Statements of Activity.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

The following summarizes the activity:

	2018	2017
Beginning Balance	\$ 2,232,715	\$ 2,380,703
Contributions	121,760	10,000
Interfund Gifts	-	250
Grants Awarded	-	(500,000)
Net return on investments	(156,137)	354,334
Support of Foundation services	(11,718)	(12,572)
Agency fund balances at December 31	<u>\$ 2,186,620</u>	<u>\$ 2,232,715</u>

NOTE 12 – EMPLOYEE BENEFIT PLAN

401(k) Deferred Compensation Plan: The Foundation sponsors a defined contribution retirement plan covering all employees meeting certain eligibility requirements. The Foundation makes discretionary contributions to the plan based on a percentage of employees' compensation. The contribution for the years ending December 31, 2018 and 2017 was \$58 and \$328, respectively.

457(b) Deferred Compensation Plan: On July 1, 2014, the Foundation adopted a non-qualified deferred 457(b) compensation plan for the prior President/CEO. The plan allowed the Foundation to contribute a specified percentage of the prior President/CEO's compensation up to the limitations of the Code Section 457(e)(15). The contributions were held in trust. Gains or losses on amounts held in the trust were fully allocable to the plan participant. As a result, there was no net impact on the Foundation's Statements of Activity resulting from investment gains and losses on assets held in the account, and the liability to the plan participant was fully funded at all times. The total assets of the plan were distributed in 2017 to the prior President/CEO and no contributions were made during 2018.

NOTE 13 – EXPENSE CLASSIFICATION

Below is a functional classification of the Foundation's expenses for the year ended December 31, 2018 and 2017:

	2018	2017
Grants awarded and programs	\$ 2,837,119	\$ 1,976,126
Support services	80,439	76,766
Fundraising expenses	64,350	61,412
Total grants and operating expenses	<u>\$ 2,981,908</u>	<u>\$ 2,114,304</u>

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 14 – NET ASSETS

Net assets without donor restrictions consisted of the following fund balances designated by the Board at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Founders fund	\$ 128,668	\$ 121,999
Donor advised funds	11,516,528	11,203,088
Discretionary grant making fund	1,578,660	1,584,937
Operating fund	3,299,569	3,648,209
Total net assets without donor restrictions	<u>\$ 16,523,425</u>	<u>\$ 16,558,233</u>

Net assets with donor restrictions consisted of the following fund balances at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvement purchase fund	\$ 19,460	\$ 19,460
Beneficial interest in remainder trust	87,327	85,184
Purpose-restricted	28,117	-
Time-restricted	252,879	402,717
Total net assets with donor restrictions	<u>\$ 387,783</u>	<u>\$ 507,361</u>

NOTE 15 – LEASE

In July 2012, the Foundation entered into a lease agreement for office space. The lease term was from September 1, 2012 to August 31, 2017. In August 2017, the Foundation renewed its lease agreement for the office space. The new lease term is from September 1, 2017 to August 31, 2022. Future minimum lease payments under the leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2019	12,520
2020	12,876
2021	13,224
2022	8,992

Lease expense totaled \$12,131 and \$11,821 for the years ended December 31, 2018 and 2017, respectively.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL NET ASSETS

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Foundation’s financial assets (cash and cash equivalents and investments) as of December 31, 2018 and 2017 available without restriction within one year and financial assets with liquidity restrictions greater than one year.

	<u>2018</u>	<u>2017</u>
Financial assets available within one year without restriction		
Cash and cash equivalents	\$ 3,895,751	\$ 3,478,261
Accounts receivable, net	277	63
Pledges receivable, net	-	25,000
Annuity payment, Charitable lead annuity trust	130,000	130,000
Investments	14,514,846	15,333,483
Financial assets held as board-designated term endowment	<u>(4,886,635)</u>	<u>(5,212,888)</u>
Available without restriction within one year	13,654,239	13,753,919
Financial assets with liquidity restrictions greater than one year		
Grants receivable, net	40,000	-
Charitable gift annuities, unavailable until death of annuitants	87,327	85,184
Charitable lead annuity trust	<u>122,879</u>	<u>247,717</u>
Liquidity restrictions greater than one year	250,206	332,901
Total financial assets	<u>\$ 13,904,445</u>	<u>\$ 14,086,820</u>

NOTE 17 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring after December 31, 2018 through August 5, 2019, which is the date on which the financial statements were available to be issued.

The property held for sale was sold in February 2019 for \$355,000. The Foundation incurred selling costs of \$14,550.

No other significant events occurred subsequent to the statement of financial position date but prior to issuance that would have a material impact on the financial statements or disclosures.