

Communities of Coastal Georgia Foundation, Inc.
(A Non-Profit Organization)

FINANCIAL REPORT

December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Communities of Coastal Georgia Foundation, Inc.
Brunswick, Georgia

We have audited the accompanying statements of financial position of Communities of Coastal Georgia Foundation, Inc. (a non-profit organization), as of December 31, 2011 and 2010, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moore Stephens Tiller LLC

Brunswick, Georgia
July 30, 2012

FINANCIAL STATEMENTS

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS		
	2011	2010
Cash and cash equivalents	\$ 2,221,684	\$ 1,722,033
Pledges receivable (less allowance for doubtful accounts \$156,701 and \$136,701 for 2011 and 2010, respectively)	92,564	149,933
Beneficial interest in remainder trust	31,019	29,573
Beneficial interest in lead trust	1,100,724	-
Investments, at fair value	3,526,969	3,244,798
Property and equipment, net	665	2,205
Prepaid expenses	4,174	3,889
Security deposit	1,400	1,400
TOTAL ASSETS	\$ 6,979,199	\$ 5,153,831
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,304	\$ 12,961
Net Assets		
Unrestricted	5,719,839	4,933,615
Temporarily restricted	1,252,056	207,255
Total net assets	6,971,895	5,140,870
TOTAL LIABILITIES AND NET ASSETS	\$ 6,979,199	\$ 5,153,831

The accompanying notes are an integral part of these financial statements.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

STATEMENTS OF ACTIVITY

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions	\$ 1,656,886	\$ 1,672,248
Investment income	84,052	51,150
Realized and unrealized gains (losses)	<u>(239,760)</u>	<u>294,496</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,501,178	2,017,894
Net assets released by satisfaction of restrictions	<u>174,402</u>	<u>167,918</u>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<u>1,675,580</u>	<u>2,185,812</u>
Grants	<u>648,001</u>	<u>435,629</u>
Operating Expenses:		
Salaries	133,926	135,088
General and administrative	<u>107,429</u>	<u>102,412</u>
Total operating expenses	<u>241,355</u>	<u>237,500</u>
TOTAL UNRESTRICTED GRANTS AND OPERATING EXPENSES	<u>889,356</u>	<u>673,129</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>786,224</u>	<u>1,512,683</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,100,964	32,250
Change in value of split-interest agreements	138,239	1,379
Bad debt loss	(20,000)	(51,428)
Net assets released by satisfaction of restrictions	<u>(174,402)</u>	<u>(167,918)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>1,044,801</u>	<u>(185,717)</u>
INCREASE IN NET ASSETS	<u>1,831,025</u>	<u>1,326,966</u>
NET ASSETS AT BEGINNING OF YEAR	<u>5,140,870</u>	<u>3,813,904</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,971,895</u>	<u>\$ 5,140,870</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,831,025	\$ 1,326,966
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,540	1,867
Realized and unrealized (gains) and losses on investments	239,760	(294,496)
Bad debts	20,000	51,428
Noncash contributions	(413,269)	(395,382)
Changes in operating assets and liabilities:		
Pledges receivable	37,369	135,668
Beneficial interest in remainder trust	(1,446)	(1,379)
Beneficial interest in lead trust	(1,100,724)	-
Prepaid expenses	(285)	217
Accounts payable and accrued expenses	(5,657)	(10,414)
<i>Net Cash Provided by Operating Activities</i>	608,313	814,475
 Cash Flows From Investing Activities		
Purchase of investments	(2,464,775)	(2,853,641)
Sale of investments	2,356,113	1,846,770
<i>Net Cash Required by Investing Activities</i>	(108,662)	(1,006,871)
 Net Change in Cash and Cash Equivalents	499,651	(192,396)
 Cash and Cash Equivalents, Beginning of Year	1,722,033	1,914,429
 Cash and Cash Equivalents, End of Year	\$ 2,221,684	\$ 1,722,033

The accompanying notes are an integral part of these financial statements.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

NOTE 1 – DESCRIPTION OF FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Foundation: Communities of Coastal Georgia Foundation, Inc. (the “Foundation”) is a publicly-supported community foundation based in Brunswick, Georgia. 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 three classes of net assets as follows:

Unrestricted - Net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Foundation and its purposes. The significant categories of unrestricted net assets maintained by the Foundation are the Founders Fund, operating fund, donor advised funds, and discretionary grant making fund (See Note 11).

Temporarily restricted - Net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by actions of the Foundation.

Permanently restricted - Net assets are resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Foundation. For the reasons noted below there were no permanently restricted net assets as of December 31, 2011 and 2010.

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 Trustees 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," none of the net assets of the Foundation is classified as permanently restricted; rather, they are all classified as unrestricted, unless otherwise encumbered by a time stipulation.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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 temporarily restricted revenue. When a donor-imposed restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. Restricted contributions whose restrictions are met in the same year are reported as unrestricted contributions.

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.

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 receivables 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.

Beneficial Interest in Remainder Trust: The Foundation is named beneficiary of a charitable remainder trust that is controlled by a third party. The assets for the contribution receivable were recorded as temporarily restricted net assets when the Foundation was notified of the trust's existence. The receivable is stated at present value of the amount to be received. Under the terms of the trust, the Foundation will receive the contribution at the donors' death. Present value is determined using appropriate discount rate and actuarially determined life expectancies. The net revaluation is recorded as change in value of split-interest agreements on the Statements of Activity.

Beneficial Interest in Lead Trust: During 2011, the Foundation was named beneficiary of a charitable lead annuity trust that is controlled by a trustee that is a 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 temporarily restricted net assets 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 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.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

Investment income and gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently 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.

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.

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 files informational returns in the U.S. federal jurisdiction and one state jurisdiction. The Foundation is generally no longer subject to federal or state tax examinations for years before 2008. Interest and penalties are expensed as incurred. No interest and penalties were charged to expense for the years ending December 31, 2011 and 2010.

Reclassifications: Certain amounts in the December 31, 2010 financial statements have been reclassified to conform to the presentation utilized in December 31, 2011. These reclassifications have no impact on previously reported financial position, change in net assets, or cash flows.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows as of December 31, 2011 and 2010:

	2011	2010
Less than one year	\$ 227,102	\$ 211,604
One year to five years	29,000	88,901
More than five years	-	-
	<u>256,102</u>	<u>300,505</u>
Less allowance for doubtful pledges	(156,701)	(136,701)
Less discount to present value	(6,837)	(13,871)
	<u>\$ 92,564</u>	<u>\$ 149,933</u>

The rate used to discount the pledges to net present value ranges from 3.07% to 4.89%.

NOTE 3 – BENEFICIAL INTEREST IN REMAINDER TRUST

The receivable from a split-interest agreement provided by a charitable remainder unitrust 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, 2011 and 2010:

	2011	2010
Beneficial interest in remainder trust	\$ 50,000	\$ 50,000
Less discount to present value	(18,981)	(20,427)
	<u>\$ 31,019</u>	<u>\$ 29,573</u>

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

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

NOTE 4 – 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Beneficial interest in remainder trust	\$ 1,170,000	\$ -
Less discount to present value	(69,276)	-
	<u>\$ 1,100,724</u>	<u>\$ -</u>

A discount rate of 1.89% equal to the 10 year United States Treasury rate was used in calculating the present value.

NOTE 5 – ENDOWMENT FUND

As of December 31, 2011 and 2010, the Board of Directors had designated \$336,130 and \$248,449, respectively, of unrestricted net assets 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 unrestricted net assets.

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 an average of 5% annually. Therefore, the Directors reserve the right in any given year to spend below the 5%.

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:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	60%	80%
Fixed income	20%	40%
Cash reserves	1%	10%
Alternatives	4%	12%

Composition of and changes in endowment net assets for the year ended December 31, 2011 and 2010 were as follows:

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Board-designated endowment net assets, beginning of year	\$ 248,449	\$ 182,455
Contributions	113,603	47,338
Net return on investment	(16,593)	25,557
Amounts appropriated for expenditure	(9,329)	(6,901)
Board-designated endowment net assets, end of year	<u>\$ 336,130</u>	<u>\$ 248,449</u>

NOTE 6 – INVESTMENTS

Investments were comprised of the following at December 31, 2011 and 2010:

	2011	2010
Marketable equity securities	\$ 1,618,707	\$ 1,506,988
Mutual funds	1,122,487	1,156,706
Fixed income - US Government	160,588	215,722
Fixed income - FNMA & FHLMC	191,982	108,401
Cash and cash equivalents	433,205	256,981
	<u>\$ 3,526,969</u>	<u>\$ 3,244,798</u>

Investment income as reported on the Statements of Activity is net of investment fees. Investment fees for the year ended December 31, 2011 and 2010 totaled \$20,657 and \$14,050, respectively.

NOTE 7 – 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.

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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. When quoted market prices are unobservable, the Foundation 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.

Assets as of December 31, 2011 and 2010 measured at fair value are summarized below:

December 31, 2011:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 1,618,707	\$ -	\$ -	\$ 1,618,707
Mutual funds	1,122,487	-	-	1,122,487
Fixed income - US Government	-	160,588	-	160,588
Fixed income - FNMA & FHLMC	-	191,982	-	191,982
Cash and cash equivalents	433,205	-	-	433,205
Investments	3,174,399	352,570	-	3,526,969
Receivables under split-interest agreements	-	-	1,131,743	1,131,743
Total Assets Measured at Fair Value	\$ 3,174,399	\$ 352,570	\$ 1,131,743	\$ 4,658,712

December 31, 2010:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 1,506,988	\$ -	\$ -	\$ 1,506,988
Mutual funds	1,156,706	-	-	1,156,706
Fixed income - US Government	-	215,722	-	215,722
Fixed income - FNMA & FHLMC	-	108,401	-	108,401
Cash and cash equivalents	256,981	-	-	256,981
Investments	2,920,675	324,123	-	3,244,798
Receivables under split-interest agreements	-	-	29,573	29,573
Total Assets Measured at Fair Value	\$ 2,920,675	\$ 324,123	\$ 29,573	\$ 3,274,371

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011 and 2010:

	2011	2010
Computers and equipment	10,648	\$ 10,648
Less accumulated depreciation	(9,983)	(8,443)
Property and equipment, net	<u>\$ 665</u>	<u>\$ 2,205</u>

NOTE 9 – EMPLOYEE BENEFIT 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, 2011 and 2010 was \$3,449 and \$4,037, respectively.

NOTE 10 – EXPENSE CLASSIFICATION

Below is a functional classification of the Foundation's expenses for the year ended December 31, 2011 and 2010:

	2011	2010
Grants awarded and programs	\$ 780,746	\$ 566,253
Support services	60,340	59,376
Fundraising expenses	48,270	47,500
Total grants and operating expenses	<u>\$ 889,356</u>	<u>\$ 673,129</u>

NOTE 11 – NET ASSETS

Unrestricted net assets consisted of the following fund balances designated by the Board at December 31, 2011 and 2010:

	2011	2010
Founders fund	\$ 1,645,321	\$ 1,987,983
Donor advised funds	3,567,215	2,606,955
Discretionary grant making fund	370,950	270,239
Operating fund	136,353	68,438
Total unrestricted net assets	<u>\$ 5,719,839</u>	<u>\$ 4,933,615</u>

COMMUNITIES OF COASTAL GEORGIA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

Temporarily restricted net assets consisted of the following fund balances at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Leasehold improvement purchase fund	\$ 27,749	\$ 27,749
Beneficial interest in remainder trust	31,019	29,573
Time-restricted	1,193,288	149,933
Total temporarily restricted net assets	<u>\$ 1,252,056</u>	<u>\$ 207,255</u>

NOTE 12 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring after December 31, 2011 through July 30, 2012, which is the date on which the financial statements were available to be issued. No 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.