Communities of Coastal Georgia Foundation, Inc.

Financial Report

December 31, 2013 and 2012

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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, 2013 and 2012, 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, 2013 and 2012, 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
July 25, 2014

Communities of Coastal Georgia Foundation, Inc

Statements of Financial Position

December 31, 2013 and 2012

Assets

	2013	2012
Cash and Cash Equivalents	$ 2,201,068	$ 1,756,915
Pledges receivable (less allowance for doubtful accounts of $-0- for 2013 and $35,000 for 2012)	-	15,207
Beneficial interest in remainder trust	34,126	32,536
Beneficial interest in lead trust	833,759	967,241
Investments, at fair value	9,635,583	5,737,498
Property and equipment, net	88	232
Prepaid expenses	5,648	4,580
Security deposit	735	735
Total Assets	$12,711,007	$ 8,514,944

Liabilities and Net Assets

	2013	2012
Liabilities		
Accounts payable	$ 6,211	$ 6,009
Accrued payroll	3,812	3,245
Amounts held to benefit an agency fund	2,317,377	1,354,949
Total Liabilities	2,327,400	1,364,203
Net Assets		
Unrestricted	9,495,686	6,116,297
Temporarily restricted	887,921	1,034,444
Total net assets	10,383,607	7,150,741
Total Liabilities and Net Assets	$12,711,007	$ 8,514,944

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Statements of Activity

For the Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted Net Assets		
Support and Revenue		
Contributions	$ 3,170,952	$ 1,636,168
Investment income	96,490	54,500
Management fee	1,314	6,141
Realized and unrealized gains	732,437	362,780
Total Unrestricted Support and Revenue	4,001,193	2,059,589
Net assets released by satisfaction of restrictions	144,631	164,879
Total Unrestricted Support and Reclassifications	4,145,824	2,224,468
Expenses		
Grants	490,404	559,680
Operating Expenses		
Salaries	132,224	131,687
General and administrative	143,807	125,509
Total operating expenses	276,031	257,196
Total Unrestricted Grants and Operating Expenses	766,435	816,876
Increase in Unrestricted Net Assets	3,379,389	1,407,592
Temporarily Restricted Net Assets		
Contributions	-	6,838
Change in value of split-interest agreements	(1,892)	(1,966)
Bad debt loss	-	(57,605)
Net assets released by satisfaction of restrictions	(144,631)	(164,879)
Decrease in Temporarily Restricted Net Assets	(146,523)	(217,612)
Increase in Net Assets	3,232,866	1,189,980
Net Assets, Beginning	7,150,741	5,960,761
Net Assets, End	$10,383,607	$ 7,150,741

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Increase in net assets	$ 3,232,866	$ 1,189,980
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	144	433
Realized and unrealized gains on investments	(732,437)	(362,780)
Bad debts	-	57,605
Noncash contributions	(77,437)	(633,876)
Changes in operating assets and liabilities:		
Pledges receivable	15,207	19,752
Beneficial interest in remainder trust	(1,590)	(1,517)
Beneficial interest in lead trust	133,482	133,483
Prepaid expenses	(1,068)	(406)
Security deposit	-	665
Accounts payable	202	1,393
Accrued payroll	567	557
Amounts held to benefit an agency fund	962,428	343,815
Net Cash Provided by Operating Activities	3,532,364	749,104
Cash Flows From Investing Activities		
Purchase of investments	(6,272,061)	(5,572,874)
Sale of investments	3,183,850	4,359,001
Net Cash Required by Investing Activities	(3,088,211)	(1,213,873)
Net Change in Cash and Cash Equivalents	444,153	(464,769)
Cash and Cash Equivalents, Beginning	1,756,915	2,221,684
Cash and Cash Equivalents, End	$ 2,201,068	$ 1,756,915

See accompanying notes to the financial statements.

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 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 12).
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> *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.
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> *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, 2013 and 2012.

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.

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 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.

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 an 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 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 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 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 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 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. The Foundation is generally no longer subject to federal or state tax examinations for years before 2010. Interest and penalties are expensed as incurred. No interest and penalties were charged to expense for the years ending December 31, 2013 and 2012.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows as of December 31, 2012:

Less than one year	$	50,207
One year to five years		-
More than five years		-
		50,207
Less allowance for doubtful pledges		(35,000)
Less discount to present value		-
	$	15,207

Discounting pledges was not necessary for 2012 as all receivables are expected to be collected within one year. There were no outstanding pledges at December 31, 2013.

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, 2013 and 2012:

	2013		2012	
Beneficial interest in remainder trust	$	50,000	$	50,000
Less discount to present value		(15,874)		(17,464)
	$	34,126	$	32,536

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

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, 2013 and 2012:

	2013		2012	
Beneficial interest in lead trust	$	910,000	$	1,040,000
Less discount to present value		(76,241)		(72,759)
	$	833,759	$	967,241

A discount rate of 2.45% for 2013 and 1.78% for 2012 equal to the 10-year United States Treasury rate was used in calculating the present value.

NOTE 5 – ENDOWMENT FUND

As of December 31, 2013 and 2012, the Board of Directors had designated $2,032,654 and $1,733,129, 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 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, 2013 and 2012 were as follows:

	2013	2012
Board-designated endowment net assets, beginning of year	$ 1,733,129	$ 336,130
Contributions	60,921	154,761
Interest and Dividends, net of fees	27,254	18,245
Realized/unrealized gains	245,873	150,527
Transfer from (to) nonendowed net assets	(22,833)	1,080,512
Amounts appropriated for expenditure	(11,690)	(7,046)
Board-designated endowment net assets, end of year	$ 2,032,654	$ 1,733,129

NOTE 6 – INVESTMENTS

Investments were comprised of the following at December 31, 2013 and 2012:

	2013	2012
Marketable equity securities	$ 2,497,969	$ 1,463,318
Mutual funds	5,449,294	3,016,108
Corporate bonds	123,998	-
Fixed income - US Government	198,243	221,688
Fixed income - FNMA & FHLMC	183,997	177,216
Cash and cash equivalents	685,906	363,904
Long-Term Certificates of Deposit	496,176	495,264
	$ 9,635,583	$ 5,737,498

Investment income as reported on the Statements of Activity is net of investment fees. Investment fees for the year ended December 31, 2013 and 2012 totaled $21,157 and $28,789, 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.

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; otherwise, they are categorized in Level 3.

Assets as of December 31, 2013 and 2012 measured at fair value are summarized below:

December 31, 2013:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	$ 2,497,969	$ -	$ -	$ 2,497,969
Mutual funds	5,449,294	-	-	5,449,294
Corporate bonds	-	123,998	-	123,998
Fixed income - US Government	-	198,243	-	198,243
Fixed income - FNMA & FHLMC	-	183,997	-	183,997
Cash and cash equivalents	685,906	-	-	685,906
Long-Term Certificates of Deposit	496,176	-	-	496,176
Total Investments	9,129,345	506,238	-	9,635,583
Receivables under split-interest agreements	-	-	867,885	867,885
Total Assets Measured at Fair Value	$ 9,129,345	$ 506,238	$ 867,885	$ 10,503,468

December 31, 2012:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	$ 1,463,318	$ -	$ -	$ 1,463,318
Mutual funds	3,016,108	-	-	3,016,108
Fixed income - US Government	-	221,688	-	221,688
Fixed income - FNMA & FHLMC	-	177,216	-	177,216
Cash and cash equivalents	363,904	-	-	363,904
Long-Term Certificates of Deposit	495,264	-	-	495,264
Total Investments	5,338,594	398,904	-	5,737,498
Receivables under split-interest agreements	-	-	999,777	999,777
Total Assets Measured at Fair Value	$ 5,338,594	$ 398,904	$ 999,777	$ 6,737,275

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

	Fair Value at 12/31/2013	Valuation Method	Significant Unobservable Inputs	Range of Inputs
Beneficial interest in remainder trust	$ 34,126	Discounted Cash Flow	Life Expectancy (years)	8
			Discount Rate	4.89%
Beneficial interest in lead trust	833,759	Discounted Cash Flow	Duration (months)	84
			Discount Rate	2.45%
	$ 867,885			

	Fair Value at 12/31/2012	Valuation Method	Significant Unobservable Inputs	Range of Inputs
Beneficial interest in remainder trust	$ 32,536	Discounted Cash Flow	Life Expectancy (years)	9
			Discount Rate	4.89%
Beneficial interest in lead trust	967,241	Discounted Cash Flow	Duration (months)	96
			Discount Rate	1.78%
	$ 999,777			

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

	2013	2012
Beginning Balance	$ 999,777	$ 1,131,743
Change in value	(1,892)	(1,966)
Annuity payments	(130,000)	(130,000)
Ending Balance	$ 867,885	$ 999,777

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2013 and 2012:

	2013	2012
Computers and equipment	$ 8,163	$ 8,163
Less accumulated depreciation	(8,075)	(7,931)
Property and equipment, net	$ 88	$ 232

Depreciation expense totaled $144 and $433, respectively for the years ended December 31, 2013 and 2012.

NOTE 9 – AMOUNTS HELD TO BENEFIT AN AGENCY FUND

The Foundation received assets from a not-for-profit organization to establish a fund. The Organization specified itself as the sole beneficiary of the fund. Accounting standards require that the Foundation account for this transfer of assets as a liability. The Foundation has reported this fund as amounts held to benefit an agency fund on the statements of financial position.

The Foundation maintains variance power and legal ownership of the agency fund, and as such continues to report this fund as an asset 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 the not-for-profit organization.

The fair market value of the agency fund at December 31, 2013 and 2012 was $2,317,377 and $1,354,949, respectively. Financial activity related to this fund for the years ended December 31, 2013 and 2012 are excluded from the Foundation's statements of activity. The following summarizes the activity:

	2013	2012
Beginning Balance	$ 1,354,949	$ 1,011,134
Contributions	725,000	300,000
Net return on investments	247,861	51,867
Support of Foundation services	(10,433)	(8,052)
Agency fund balances at December 31	$ 2,317,377	$ 1,354,949

NOTE 10 – 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, 2013 and 2012 was $2,525 and $3,935, respectively.

NOTE 11 – EXPENSE CLASSIFICATION

Below is a functional classification of the Foundation's expenses for the year ended December 31, 2013 and 2012:

	2013	2012
Grants awarded and programs	$ 642,223	$ 701,138
Support services	69,006	64,299
Fundraising expenses	55,206	51,439
Total grants and operating expenses	$ 766,435	$ 816,876

NOTE 12 – NET ASSETS

Unrestricted net assets consisted of the following fund balances designated by the Board at December 31, 2013 and 2012:

	2013	2012
Founders fund	$ 1,560,826	$ 1,551,735
Donor advised funds	6,936,709	3,684,101
Discretionary grant making fund	792,506	670,926
Operating fund	205,645	209,535
Total unrestricted net assets	$ 9,495,686	$ 6,116,297

Temporarily restricted net assets consisted of the following fund balances at December 31, 2013 and 2012:

	2013	2012
Leasehold improvement purchase fund	$ 19,460	$ 19,460
Beneficial interest in remainder trust	34,127	32,536
Time-restricted	834,334	982,448
Total temporarily restricted net assets	$ 887,921	$ 1,034,444

NOTE 13 – LEASE

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

Year Ending December 31,	
2014	$ 11,396
2015	$ 11,672
2016	$ 11,952
2017	$ 8,096

Lease expense totaled $10,552 and $9,280 for the years ended December 31, 2013 and 2012, respectively.

NOTE 14 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring after December 31, 2013 through July 25, 2014, 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.