

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
(A Nonprofit Organization)

Financial Report

For the Years Ended December 31, 2011 and 2010

**NORTH GEORGIA COMMUNITY FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of
North Georgia Community Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of North Georgia Community Foundation, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related consolidated statements of activities, cash flows, and functional expenses 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 North Georgia Community Foundation, Inc., 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.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
May 15, 2012



NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash	\$ 2,247,107	\$ 3,512,686
Certificates of deposit	26,308	26,141
Investments	25,994,272	24,377,020
Notes receivable, net	4,476	1,754
Other receivables	10,000	0
Total Current Assets	28,282,163	27,917,601
Notes receivable, net	142,520	145,599
Property and equipment, net	2,141,713	2,207,743
Investments held in trust	6,071,719	3,908,435
TOTAL ASSETS	\$ 36,638,115	\$ 34,179,378
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 7,501	\$ 21,129
Security deposits	640	640
Notes payable	167,016	443,975
Liabilities under split interest agreements	238,942	264,085
Annuity liabilities	11,204	16,499
Total Current Liabilities	425,303	746,328
Long-Term Liabilities		
Notes payable	254,762	0
Funds held as agency endowments	6,555,494	5,800,962
Funds held as other beneficiary trusts	2,525,515	0
Liabilities under split interest agreements	1,265,108	1,441,307
Annuity liabilities	86,880	93,086
Total Long-Term Liabilities	10,687,759	7,335,355
TOTAL LIABILITIES	11,113,062	8,081,683
Net Assets		
Unrestricted	24,124,310	24,615,902
Temporarily restricted	1,400,743	1,481,793
TOTAL NET ASSETS	25,525,053	26,097,695
TOTAL LIABILITIES AND NET ASSETS	\$ 36,638,115	\$ 34,179,378

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, Gains and Other Support				
Contributions	\$ 2,299,447	\$ 0	\$ 2,299,447	\$ 2,541,470
Rentals	71,230	0	71,230	77,461
Investment revenue	417,806	26,936	444,742	476,988
Realized/unrealized gain (loss) on investments	(300,468)	(14,466)	(314,934)	1,916,175
Change in value of split interest agreements	0	(56,237)	(56,237)	(84,739)
Special events	51,704	0	51,704	176,991
Foundation fees, net	66,877	0	66,877	52,127
Administrative fees	21,000	0	21,000	16,500
Other	7,021	0	7,021	8,745
Total Revenue, Gains and Other Support	2,634,617	(43,767)	2,590,850	5,181,718
Net Assets Released from Restrictions				
Restrictions satisfied by payments	37,283	(37,283)	0	0
Total Revenue, Gains, reclassifications and other support	2,671,900	(81,050)	2,590,850	5,181,718
Expenses				
Program Services				
Grants Awarded				
Arts	115,440	0	115,440	98,314
Education	529,145	0	529,145	576,333
Civic	124,236	0	124,236	30,204
Religious	248,000	0	248,000	348,046
Social services	789,412	0	789,412	364,831
Health	208,852	0	208,852	176,670
Environmental	214,679	0	214,679	430,625
Scholarships	173,925	0	173,925	183,000
Other program expense	441,301	0	441,301	469,843
Total program services	2,844,990	0	2,844,990	2,677,866
General and administrative	197,722	0	197,722	197,119
Fundraising	110,263	0	110,263	109,860
Costs of direct benefits to donors	10,517	0	10,517	48,847
Total Expenses	3,163,492	0	3,163,492	3,033,692
Loss on disposal of property and equipment	0	0	0	(500)
INCREASE (DECREASE) IN NET ASSETS	(491,592)	(81,050)	(572,642)	2,147,526
BEGINNING NET ASSETS	24,615,902	1,481,793	26,097,695	23,950,169
ENDING NET ASSETS	\$ 24,124,310	\$ 1,400,743	\$ 25,525,053	\$ 26,097,695

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

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 2,541,470	\$ 0	\$ 2,541,470
Rentals	77,461	0	77,461
Investment revenue	447,103	29,885	476,988
Realized/unrealized gain (loss) on investments	1,779,057	137,118	1,916,175
Change in value of split interest agreements	0	(84,739)	(84,739)
Special events	176,991	0	176,991
Foundation fees, net	52,127	0	52,127
Administrative fees	16,500	0	16,500
Other	8,745	0	8,745
	<u>5,099,454</u>	<u>82,264</u>	<u>5,181,718</u>
Net Assets Released from Restrictions			
Restrictions satisfied by payments	<u>207,216</u>	<u>(207,216)</u>	<u>0</u>
Total Revenue, Gains, Reclassifications and Other Support	<u>5,306,670</u>	<u>(124,952)</u>	<u>5,181,718</u>
Expenses			
Program Services			
Grants Awarded			
Arts	98,314	0	98,314
Education	576,333	0	576,333
Civic	30,204	0	30,204
Religious	348,046	0	348,046
Social services	364,831	0	364,831
Health	176,670	0	176,670
Environmental	430,625	0	430,625
Scholarships	183,000	0	183,000
Other program expense	469,843	0	469,843
Total program services	<u>2,677,866</u>	<u>0</u>	<u>2,677,866</u>
General and administrative	197,119	0	197,119
Fundraising	109,860	0	109,860
Costs of direct benefits to donors	48,847	0	48,847
	<u>3,033,692</u>	<u>0</u>	<u>3,033,692</u>
Loss on disposal of property and equipment	<u>(500)</u>	<u>0</u>	<u>(500)</u>
INCREASE (DECREASE) IN NET ASSETS	2,272,478	(124,952)	2,147,526
BEGINNING NET ASSETS	<u>22,343,424</u>	<u>1,606,745</u>	<u>23,950,169</u>
ENDING NET ASSETS	<u>\$ 24,615,902</u>	<u>\$ 1,481,793</u>	<u>\$ 26,097,695</u>

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

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (572,642)	\$ 2,147,526
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,194	94,071
Loss on disposal of property and equipment	0	500
Unrealized (gain) loss on investments	95,122	(2,150,444)
(Increase) decrease in operating assets:		
Grants receivable	0	50
Notes receivable allowance account	(39)	(520)
Other receivables	(10,000)	0
Increase (decrease) in operating liabilities		
Accounts payable	(13,628)	2,004
Accrued payroll taxes	0	(7,279)
Security deposits	0	240
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(425,993)	86,148
Cash Flows From Investing Activities		
Proceeds from maturity of investments	2,697,337	3,955,125
Purchases of investments	(6,574,294)	(2,239,759)
Principal payments received on notes receivable	396	5,182
Purchase of property and equipment	(9,164)	(1,624)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(3,885,725)	1,718,924
Cash Flows From Financing Activities		
Agency endowment funds received	1,262,192	548,226
Agency endowment grants	(504,318)	(169,089)
Net earnings on agency endowments	47,010	60,990
Beneficiary trust contributions received	2,950,000	0
Distributions from beneficiary trusts	(450,000)	0
Net earnings on funds held in beneficiary trusts	20,881	0
Earnings on annuities	31,005	35,139
Annuity payments	(288,434)	(464,674)
Proceeds from notes payable	15,000	85,000
Principal payments on notes payable	(37,197)	(26,208)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	3,046,139	69,384
NET INCREASE (DECREASE) IN CASH	(1,265,579)	1,874,456
CASH, BEGINNING	3,512,686	1,638,230
CASH, ENDING	\$ 2,247,107	\$ 3,512,686

Supplemental Cash Flow Information:

Cash paid during 2011 and 2010 for interest expense was \$15,863 and \$17,909, respectively.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	2011					2010 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors	Totals	
Personnel						
Compensation	\$ 78,442	\$ 118,071	\$ 66,275	\$ 0	\$ 262,788	\$ 255,218
Retirement expense	2,135	3,214	1,805	0	7,154	7,248
Other employee benefits	6,943	10,451	5,866	0	23,260	28,509
Payroll taxes	5,918	8,907	5,000	0	19,825	20,024
Total personnel expenses	93,438	140,643	78,946	0	313,027	310,999
Marketing						
Advertising	1,085	1,632	916	0	3,633	1,200
Other	248	373	210	0	831	296
Total marketing expenses	1,333	2,005	1,126	0	4,464	1,496
Office						
Equipment and software support	13,607	20,481	11,497	0	45,585	45,631
Dues and subscriptions	3,050	4,590	2,576	0	10,216	11,875
Postage	990	1,490	837	0	3,317	4,483
Supplies	907	1,366	766	0	3,039	2,423
Printing	1,174	1,766	992	0	3,932	3,862
Telephone	5,691	8,567	4,809	0	19,067	19,970
Other	2,399	3,610	2,027	0	8,036	5,142
Total office expenses	27,818	41,870	23,504	0	93,192	93,386
Occupancy						
Insurance	5,026	206	89	0	5,321	4,785
Interest	14,984	613	266	0	15,863	17,909
Depreciation	71,028	2,903	1,263	0	75,194	94,071
Repairs and maintenance	25,329	1,035	450	0	26,814	22,609
Utilities	23,579	964	419	0	24,962	22,227
Total occupancy expenses	139,946	5,721	2,487	0	148,154	161,601
Grants to others	2,403,689	0	0	0	2,403,689	2,208,023
Program expense	122,902	0	0	0	122,902	92,990
Special events	9,507	0	0	10,517	20,024	96,562
Board and committee expense	3,561	0	0	0	3,561	2,949
Professional fees	28,263	3,181	1,785	0	33,229	47,070
Travel and training expense	1,008	1,517	852	0	3,377	3,169
Investment commissions	11,674	0	0	0	11,674	11,725
Other	1,851	2,785	1,563	0	6,199	3,722
Total expenses	\$ 2,844,990	\$ 197,722	\$ 110,263	\$ 10,517	\$ 3,163,492	\$ 3,033,692

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

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
Personnel					
Compensation	\$ 76,183	\$ 114,669	\$ 64,366	\$ 0	\$ 255,218
Retirement expense	2,163	3,257	1,828	0	7,248
Other employee benefits	8,510	12,809	7,190	0	28,509
Payroll taxes	5,977	8,997	5,050	0	20,024
Total personnel expenses	<u>92,833</u>	<u>139,732</u>	<u>78,434</u>	<u>0</u>	<u>310,999</u>
Marketing					
Advertising	358	539	303	0	1,200
Other	88	133	75	0	296
Total marketing expenses	<u>446</u>	<u>672</u>	<u>378</u>	<u>0</u>	<u>1,496</u>
Office					
Equipment and software support	13,621	20,502	11,508	0	45,631
Dues and subscriptions	3,545	5,335	2,995	0	11,875
Postage	1,338	2,014	1,131	0	4,483
Supplies	723	1,089	611	0	2,423
Printing	1,153	1,735	974	0	3,862
Telephone	5,961	8,973	5,036	0	19,970
Other	1,535	2,310	1,297	0	5,142
Total office expenses	<u>27,876</u>	<u>41,958</u>	<u>23,552</u>	<u>0</u>	<u>93,386</u>
Occupancy					
Insurance	4,520	185	80	0	4,785
Interest	16,917	691	301	0	17,909
Depreciation	88,860	3,631	1,580	0	94,071
Repairs and maintenance	21,356	873	380	0	22,609
Utilities	20,996	858	373	0	22,227
Total occupancy expenses	<u>152,649</u>	<u>6,238</u>	<u>2,714</u>	<u>0</u>	<u>161,601</u>
Grants to others	2,208,023	0	0	0	2,208,023
Program expense	92,990	0	0	0	92,990
Special events	47,715	0	0	48,847	96,562
Board and committee expense	2,949	0	0	0	2,949
Professional fees	38,603	5,423	3,044	0	47,070
Travel and training expense	946	1,424	799	0	3,169
Investment commissions	11,725	0	0	0	11,725
Other	1,111	1,672	939	0	3,722
Total expenses	<u>\$ 2,677,866</u>	<u>\$ 197,119</u>	<u>\$ 109,860</u>	<u>\$ 48,847</u>	<u>\$ 3,033,692</u>

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

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Georgia Community Foundation, Inc. (the "Foundation") was incorporated in 1985 for the purpose of managing and disbursing funds to charitable organizations located in the Gainesville-Hall County area in accordance with the donors' and Directors' request. The Foundation's major revenue sources include contributions and investment income.

Basis of Accounting

The accompanying financial statements of North Georgia Community Foundation, Inc., have been prepared using the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board [FASB] ASC 958, *Financial Statements for Not-for-Profit Organizations*. FASB ASC 958 requires classification of net assets and revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of these three classes of net assets: permanently restricted, temporarily restricted and unrestricted be displayed in the statement of activities and changes in net assets. The accounting standards provide that if a governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurement, continued

Level 2 - Financial assets and liabilities are valued using inputs that are quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 - Financial assets and liabilities are valued using pricing inputs which are unobservable for the assets, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate.

Fair Value of Financial Instruments

At December 31, 2011 and 2010, the fair value of all financial instruments approximates carrying value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments - Investments, other than cash and cash equivalents are carried at fair value. Publicly traded investments are valued at fair value based on quoted market prices. A substantial portion of the fair value measurements included within investments are provided to the Foundation by third parties and are not calculated by the Foundation. These valuations are based on the fair value based on quoted market prices, financial models of hypothetical transactions, or net asset value as determined by the fund manager. Some valuations may also be determined and approved by the managers or valuation committees of the funds in which the Foundation invests. The fair value assigned to a particular security by the fund does not necessarily reflect the amount that would be realized. In addition, in light of the judgment involved in fair value decisions, there can be no assurance that a fair value assigned to a particular security by the fund is accurate.

Obligations for Agency Funds and Endowments - Carrying value, which approximates fair value, of obligations for agency funds and beneficiary endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets.

Obligations for Charitable Gift Annuities and Remainder Trusts - Carrying value, which approximates fair value, of obligations of charitable gift annuities and charitable remainder trusts is based on the life expectancies of the beneficiaries, mortality tables, and interest rates imputed at the inception date of the obligations (see Note 8)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments such as checking, savings and money market accounts to be cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. The fair values are determined from current market values. Investments in non-marketable securities are carried at cost. Investments are held in trust if designated as such by the donor.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment are carried at cost or, if donated, at their approximate fair value at the date of donation. Interest expense incurred in direct relation to construction projects is capitalized and recorded in the cost of the constructed asset. Depreciation is computed using the straight-line method over the following years:

	<u>Years</u>
Furniture and equipment	5-15
Land Improvements	15
Building	40

Restricted and Unrestricted Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Assets and Property and Equipment

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Donated Services

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board [FASB] ASC 958, *Financial Statements for Not-for-Profit Organizations*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Internal Revenue Service has ruled that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an other than private foundation. The Foundation is also exempt from state income tax.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated among the programs and supporting services. General and administrative expenses include those expenses that provide for the overall support and direction of the Foundation.

For the years ended December 31, 2011 and 2010, indirect expenses have been allocated on the basis of personnel costs or space usage.

Subsequent Events

Management has evaluated subsequent events through May 15, 2012, the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the accompanying financial statements.

NOTE 2 - INVESTMENTS

Investments presented in the financial statements at December 31, 2011 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual Fund Shares	\$ 25,749,696	\$ 25,749,696	\$ 0	\$ 0
Corporate Stock	196,202	46,202	0	150,000
Certificates of Deposit	26,308	26,308	0	0
Insurance Annuity	48,374	0	0	48,374
	<u>\$ 26,020,580</u>	<u>\$ 25,822,206</u>	<u>\$ 0</u>	<u>\$ 198,374</u>
Investments Held in Trust				
Mutual Fund Shares	<u>\$ 6,071,719</u>	<u>\$ 6,071,719</u>	<u>\$ 0</u>	<u>\$ 0</u>

The corporate stock listed above includes \$150,000 of non-marketable securities carried at cost.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE 2 - INVESTMENTS, CONTINUED

Investments presented in the financial statements at December 31, 2010 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual Fund Shares	\$ 24,120,815	\$ 24,120,815	\$ 0	\$ 0
Corporate Stock	191,332	41,332	0	150,000
Certificates of Deposit	26,141	26,141	0	0
Insurance Annuity	64,873	0	0	64,873
	<u>\$ 24,403,161</u>	<u>\$ 24,188,288</u>	<u>\$ 0</u>	<u>\$ 214,873</u>
 Investments Held in Trust				
Mutual Fund Shares	<u>\$ 3,908,435</u>	<u>\$ 3,908,435</u>	<u>\$ 0</u>	<u>\$ 0</u>

The corporate stock listed above includes \$150,000 of non-marketable securities carried at cost.

The following schedule summarizes the investment return for the year ended December 31:

	<u>2011</u>	<u>2010</u>
Investment revenue	\$ 444,742	\$ 476,988
Realized/unrealized gain (loss)	<u>(314,934)</u>	<u>1,916,175</u>
Total Investment Return	<u>\$ 129,808</u>	<u>\$ 2,393,163</u>

NOTE 3 - NOTES RECEIVABLE, NET

The Foundation has the following notes receivable as of December 31:

	<u>2011</u>	<u>2010</u>
The Foundation has five mortgage notes receivable from a charitable trust. The original amount of these notes was \$355,840. The Foundation received eighteen notes receivable, of which ten have been paid in full and three have been foreclosed. Monthly payments consist of interest and principal. Interest rates vary from 8.5% to 12%. The terms vary from three to thirty years. These notes are secured by real property. As of December 31, several of these notes were in arrears. An allowance for doubtful receivables has been established, due to the uncertainty of these receivables. This allowance is 10% of the balance of the receivables.	\$ 163,329	\$ 163,725
Less: Current Portion	(4,476)	(1,754)
Allowance for Doubtful Accounts	<u>(16,333)</u>	<u>(16,372)</u>
Notes Receivable - Long-Term	<u>\$ 142,520</u>	<u>\$ 145,599</u>

Interest revenue on notes receivable totaled \$744 and \$3,505 for 2011 and 2010, respectively.

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NOTE 4 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and Equipment	\$ 317,503	\$ 323,350
Buildings	1,901,546	1,901,546
Land and Land Improvements	639,646	639,646
Construction in progress	<u>5,333</u>	<u>0</u>
	2,864,028	2,864,542
Less: Accumulated Depreciation	<u>(722,315)</u>	<u>(656,799)</u>
Total Property & Equipment, Net	<u>\$ 2,141,713</u>	<u>\$ 2,207,743</u>

Depreciation expense for 2011 and 2010 was \$75,194 and \$94,071, respectively.

NOTE 5 - NOTES PAYABLE

	<u>2011</u>	<u>2010</u>
Note payable to United Community Bank in the original amount of \$281,438, secured by land and building at 615 Oak Street with interest at prime and a minimum of 4.00%; monthly payments of \$2,950 beginning December 10, 2011, with payment of unpaid principal and interest due October 10, 2014.	\$ 281,438	\$ 0
Line of credit to United Community Bank in the original amount of \$175,000 with interest at prime and a minimum of 4.00%; monthly interest payments due with payment of unpaid principal and interest due November 8, 2012.	140,340	0
Note payable to United Community Bank in the original amount of \$345,729, secured by land and building at 615 Oak Street with interest at prime and a minimum of 4.00%; monthly payments of \$2,950 beginning August 2, 2009, with payment of unpaid principal and interest due November 2, 2011.	0	299,009
Line of credit to United Community Bank in the original amount of \$175,250 at an interest rate of 3.25%; monthly interest payments due with payment of unpaid principal and interest due March 23, 2011.	<u>0</u>	<u>144,966</u>
Total Notes Payable	421,778	443,975
Less: Current Portion	<u>(167,016)</u>	<u>(443,975)</u>
Long-Term Portion of Notes Payable	<u>\$ 254,762</u>	<u>\$ 0</u>

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NOTE 5 - NOTES PAYABLE, CONTINUED

Maturity of notes payable
for the year ended December 31,

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 167,016	\$ 16,879	\$ 183,895
2013	25,677	9,723	35,400
2014	229,085	7,305	236,390
	<u>\$ 421,778</u>	<u>\$ 33,907</u>	<u>\$ 455,685</u>

Interest expense for 2011 and 2010 was \$15,863 and \$17,909, respectively..

NOTE 6 - FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation has adopted Financial Accounting Standards Board [FASB] ASC 958, *Financial Statements for Not-for-Profit Organizations*. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. [FASB] ASC 958 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the value of future payments expected to be made to the NPOs.

At December 31, 2011, the Foundation was the owner of 39 agency endowment funds with a combined value of \$6,555,494. At December 31, 2010, the Foundation was the owner of 36 agency endowment funds with a combined value of \$5,800,962. The following table summarizes activity in such funds during the year:

	<u>2011</u>	<u>2010</u>
Agency Endowment Fund balances as of January 1	\$ 5,800,962	\$ 4,903,174
Amounts raised	1,262,192	548,226
Investment Income	113,381	112,784
Investment Fees	(66,371)	(51,812)
Unrealized and realized investment gains (losses)	(50,352)	457,661
Grants	(504,318)	(169,071)
Agency Endowment Fund Balances as of December 31	<u>\$ 6,555,494</u>	<u>\$ 5,800,962</u>

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NOTE 7 - FUNDS HELD AS OTHER BENEFICIARY TRUSTS

During 2011, the Foundation agreed to serve as trustee and custodian for assets held in a grantor trust. The grantor trust provides for the payment of distributions to designated beneficiaries over the trust's term. Assets held in the grantor trust at December 31, 2011 totaled \$2,525,515 and are reported at fair value in the Foundation's Statement of Financial Position. A liability (\$2,525,515 at December 31, 2011) has been established for the fair value of the assets, which is generally equivalent to the value of future payments expected to be made to the beneficiaries.

NOTE 8 - LIABILITIES UNDER SPLIT INTEREST AGREEMENTS

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiary over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. There were no such contributions in 2011 or 2010. Assets held in the charitable remainder trusts totaled \$2,907,274 and \$3,184,526 at December 31, 2011 and 2010, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2011, the Foundation is holding in trust ten Charitable Remainder Unitrusts and one Charitable Lead Annuity Trust, which are payable as annuities over the life of the donor. The amount of \$1,504,050, shown as \$238,942 current and \$1,265,108 long-term is the present value of the remaining annuity calculated using a discount rate of 1.6% and applicable Internal Revenue Service life expectancy tables. At December 31, 2010, the Foundation was holding in trust ten Charitable Remainder Unitrusts and one Charitable Lead Annuity Trust, which are payable as annuities over the life of the donor. The amount of \$1,705,392, shown as \$264,085 current and \$1,441,307 long-term is the present value of the remaining annuity calculated using a discount rate of 1.6% and applicable Internal Revenue Service life expectancy tables. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

NOTE 9 - ANNUITY LIABILITIES

At December 31, 2011, the Foundation is holding one life insurance annuity, which is payable as an annuity over the life of the donor, and one deferred gift annuity, which is an insurance annuity that begins payment 15 years after the date of gift. The amount of \$98,084, shown as \$11,204 current and \$86,880 long-term is the present value of the remaining annuity. At December 31, 2010, the Foundation is holding two life insurance annuities, which are payable as annuities over the life of the donor, and one deferred gift annuity, which is an insurance annuity that begins payment 15 years after the date of gift. The amount of \$109,585, shown as \$16,499 current and \$93,086 long-term is the present value of the remaining annuity.

NOTE 10 – CHARITABLE LEAD TRUST

During 2010, a donor established a trust with the Foundation naming the Foundation as a lead beneficiary of a charitable lead trust. Under the terms of the split-interest agreement, the Foundation is to receive 7% of the trust assets for 10 years. Assets held in the charitable lead trust totaled \$638,930 and \$723,909 at December 31, 2011 and 2010, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. The trust assets are valued at the beginning of the calendar year and the distributions are made annually. At the time of termination, the remaining assets are to be distributed to others. Using a discount rate of 1.6%, the present value of future benefits to be received by the Foundation was estimated to be \$663,623 at December 31, 2011. The Foundation received payments from the trust totaling \$79,873 and \$1,091 during the years ended December 31, 2011 and 2010, respectively.

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NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Charitable Remainder Trust Contributions (See Note 8)	\$ 1,400,571	\$ 1,481,621
Contributions for the Benevolent Fund	<u>172</u>	<u>172</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,400,743</u>	<u>\$ 1,481,793</u>

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets in the following amounts were released from restriction by satisfying the restricted purpose during the year ended December 31:

	<u>2011</u>	<u>2010</u>
Changes in Charitable Remainder Unitrusts	<u>\$ 37,283</u>	<u>\$ 207,216</u>

NOTE 13 - RETIREMENT PLAN

The Foundation provides retirement benefits for its employees through a SIMPLE IRA retirement plan, which is administered by an independent third party. Any full-time employee may participate in the plan. After 6 months of service, the Foundation will match employee contributions up to 3% of the employee's annual salary. All employee contributions are optional.

Funds are vested 100% at the time of contribution. Amounts held in the plan are not available to the employees until termination, retirement, death, or unforeseeable emergency.

The employer's contributions into the retirement plan for the years ended December 31, 2011 and 2010 was \$7,154 and \$7,248, respectively.

The Organization has no fiduciary relationship with the plan, and plan assets are not available to the Organization or its general creditors. Plan assets are held in trust by the administrator for the exclusive benefit of the participants of the plan.

NOTE 14 - RISK AND UNCERTAINTIES

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains several interest and non-interest bearing deposit accounts in local banks. The total of these deposits is \$2,117,322, of which \$260,674 is insured by the Federal Deposit Insurance Corporation, leaving \$1,856,648 uninsured.

Concentration of Credit Risk Arising from Uncollateralized Investments

The Foundation maintains deposits and investments in various money market and mutual fund accounts. The total of these is \$32,201,980, which is at the risk of market change. This amount is secured from brokerage failure for up to \$2,076,157 by the Securities Investor Protection Corporation, leaving \$30,125,823 unsecured.

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NOTE 14 - RISK AND UNCERTAINTIES, CONTINUED

Testamentary Gifts

The Foundation has been named a beneficiary in various testamentary documents. These documents may be changed at any time and, therefore, are not considered completed gifts. The values of these contingent gifts are not determinable at this time and have not been recorded in the financial statements.

NOTE 15 - CONSOLIDATION

The financial statements of the Foundation are presented as consolidated to include the statements of the wholly-owned entity of Lake Rabun Pavilion, LLC. The Foundation is the only Member of the Lake Rabun Pavilion, LLC. The LLC was created to construct and own a pavilion on Lake Rabun, Georgia for the public benefit of the local community. The LLC also has a donor advised fund at the Foundation. All interrelated transactions have been eliminated in the consolidation. The following is a summary of the amounts that are included in the financial statements as of December 31:

	<u>2011</u>	<u>2010</u>
Property and equipment, net	\$ 943,234	\$ 960,758
Expenses		
Depreciation	17,524	17,524

NOTE 16 - UNCERTAIN TAX POSITIONS

Effective January 1, 2010, the Foundation implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board [FASB] ASC 740, Income Taxes. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2011, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

With few exceptions, the Foundation is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before fiscal year 2007.