

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

Financial Report

For the Years Ended December 31, 2014 and 2013

**NORTH GEORGIA COMMUNITY FOUNDATION, INC.
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RUSHTON & COMPANY

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of North Georgia Community Foundation, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses 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 North Georgia Community Foundation, Inc., as of December 31, 2014 and 2013, 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.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
May 21, 2015

www.RushtonandCompany.com

Rushton & Company, LLC | P.O. Box 2917 | 726 South Enota Drive, Suite A | Gainesville, GA 30503, USA | +1.770.287.7800 [P] | +1.770.287.7801 [F]

Growing futures.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash	\$ 2,705,679	\$ 514,039
Investments	35,086,082	32,695,964
Receivables	23,405	0
Notes receivable, net	691	685
Prepaid expenses	58,554	52,725
Total Current Assets	37,874,411	33,263,413
Notes receivable, net	40,120	40,226
Property and equipment, net	1,971,798	2,024,848
Cash held in trust	29,173	26,982
Investments held in trust	4,624,913	4,747,099
TOTAL ASSETS	\$ 44,540,415	\$ 40,102,568
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 34,356	\$ 10,103
Security deposits	640	640
Notes payable	7,285	7,052
Liabilities under split interest agreements	255,176	264,673
Total Current Liabilities	297,457	282,468
Long-Term Liabilities		
Notes payable	193,778	222,255
Funds held as agency endowments	8,110,182	7,483,311
Liabilities under split interest agreements	1,210,951	1,304,406
Annuity liabilities	72,041	66,011
Total Long-Term Liabilities	9,586,952	9,075,983
TOTAL LIABILITIES	9,884,409	9,358,451
Net Assets		
Unrestricted	32,955,867	29,051,394
Temporarily restricted	1,700,139	1,692,723
TOTAL NET ASSETS	34,656,006	30,744,117
TOTAL LIABILITIES AND NET ASSETS	\$ 44,540,415	\$ 40,102,568

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, 2014
(with comparative totals for the year ended December 31, 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, Gains and Other Support				
Contributions	\$ 5,468,636	\$ 0	\$ 5,468,636	\$ 4,816,102
Rentals	80,636	0	80,636	78,888
Investment revenue	368,268	21,136	389,404	428,976
Realized/unrealized gain (loss) on investments	1,504,255	89,338	1,593,593	4,413,266
Change in value of split interest agreements	0	(70,188)	(70,188)	(48,382)
Special events	51,662	0	51,662	29,661
Foundation fees, net	110,534	0	110,534	110,586
Administrative fees	76,690	0	76,690	41,631
Other	6,172	0	6,172	6,175
Total Revenue, Gains and Other Support	7,666,853	40,286	7,707,139	9,876,903
Net Assets Released from Restrictions				
Restrictions satisfied by payments	32,870	(32,870)	0	0
Total Revenue, Gains, Reclassifications and Other Support	7,699,723	7,416	7,707,139	9,876,903
Expenses and Losses				
Program Services				
Grants Awarded				
Arts	198,462	0	198,462	136,128
Education	1,013,721	0	1,013,721	898,365
Civic	75,562	0	75,562	75,159
Religious	290,354	0	290,354	531,898
Social services	659,420	0	659,420	661,231
Health	427,287	0	427,287	1,371,477
Environmental	83,853	0	83,853	690,700
Scholarships	169,920	0	169,920	154,770
Other program expense	469,846	0	469,846	718,873
Total program services	3,388,425	0	3,388,425	5,238,601
General and administrative	249,183	0	249,183	255,107
Fundraising	123,938	0	123,938	126,826
Costs of direct benefits to donors	33,704	0	33,704	19,090
Total Expenses	3,795,250	0	3,795,250	5,639,624
Loss on uncollectible notes receivable	0	0	0	105,863
Total Expenses and Losses	3,795,250	0	3,795,250	5,745,487
INCREASE IN NET ASSETS	3,904,473	7,416	3,911,889	4,131,416
BEGINNING NET ASSETS	29,051,394	1,692,723	30,744,117	26,612,701
ENDING NET ASSETS	\$ 32,955,867	\$ 1,700,139	\$ 34,656,006	\$ 30,744,117

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 4,816,102	\$ 0	\$ 4,816,102
Rentals	78,888	0	78,888
Investment revenue	403,955	25,021	428,976
Realized/unrealized gain (loss) on investments	4,161,377	251,889	4,413,266
Change in value of split interest agreements	0	(48,382)	(48,382)
Special events	29,661	0	29,661
Foundation fees, net	110,586	0	110,586
Administrative fees	41,631	0	41,631
Other	6,175	0	6,175
Total Revenue, Gains and Other	<u>9,648,375</u>	<u>228,528</u>	<u>9,876,903</u>
Net Assets Released from Restrictions			
Restrictions satisfied by payments	<u>31,502</u>	<u>(31,502)</u>	<u>0</u>
Total Revenue, Gains, Reclassifications and Other Support	<u>9,679,877</u>	<u>197,026</u>	<u>9,876,903</u>
Expenses			
Program Services			
Grants Awarded			
Arts	136,128	0	136,128
Education	898,365	0	898,365
Civic	75,159	0	75,159
Religious	531,898	0	531,898
Social services	661,231	0	661,231
Health	1,371,477	0	1,371,477
Environmental	690,700	0	690,700
Scholarships	154,770	0	154,770
Other program expense	718,873	0	718,873
Total program services	<u>5,238,601</u>	<u>0</u>	<u>5,238,601</u>
General and administrative	255,107	0	255,107
Fundraising	126,826	0	126,826
Costs of direct benefits to donors	19,090	0	19,090
Total Expenses	<u>5,639,624</u>	<u>0</u>	<u>5,639,624</u>
Loss on uncollectible notes receivable	105,863	0	105,863
Total Expenses and Losses	<u>5,745,487</u>	<u>0</u>	<u>5,745,487</u>
INCREASE IN NET ASSETS	3,934,390	197,026	4,131,416
BEGINNING NET ASSETS	<u>25,117,004</u>	<u>1,495,697</u>	<u>26,612,701</u>
ENDING NET ASSETS	<u>\$ 29,051,394</u>	<u>\$ 1,692,723</u>	<u>\$ 30,744,117</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, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 3,911,889	\$ 4,131,416
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,335	65,338
Unrealized (gain) loss on investments	(1,989,646)	(3,886,526)
Loss on uncollectible notes receivable	0	105,863
(Increase) decrease in operating assets:		
Receivables	(23,405)	0
Prepaid expenses	(5,829)	(39,615)
Increase (decrease) in operating liabilities		
Accounts payable	24,253	3,492
Deferred revenue	0	(200)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,973,597	379,768
Cash Flows From Investing Activities		
Proceeds from maturity of investments	3,395,718	5,024,298
Purchases of investments	(3,090,668)	(4,819,418)
Principal payments received on notes receivable	101	222
Purchase of property and equipment	(3,286)	(13,384)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	301,865	191,718
Cash Flows From Financing Activities		
Agency endowment funds received	667,645	342,285
Agency endowment grants	(478,444)	(649,720)
Net earnings on agency endowments	13,373	39,416
Earnings on annuities	19,595	25,055
Annuity payments	(275,556)	(254,133)
Proceeds from notes payable	0	20,000
Principal payments on notes payable	(28,244)	(204,078)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(81,631)	(681,175)
NET INCREASE (DECREASE) IN CASH	2,193,831	(109,689)
CASH, BEGINNING	541,021	650,710
CASH, ENDING	\$ 2,734,852	\$ 541,021
CASH RECONCILIATION		
Cash	\$ 2,705,679	\$ 514,039
Cash held in trust	29,173	26,982
Total Cash	\$ 2,734,852	\$ 541,021

Supplemental Cash Flow Information:

Cash paid during 2014 and 2013 for interest expense was \$7,156 and \$13,372, respectively.

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, 2014
(with comparative totals for the year ended December 31, 2013)

	2014				Totals	2013 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors		
Personnel						
Compensation	\$ 79,123	\$ 137,907	\$ 69,025	\$ 0	\$ 286,055	\$ 281,720
Retirement expense	2,374	4,138	2,071	0	8,583	8,469
Employee benefits	7,060	12,305	6,159	0	25,524	26,548
Payroll taxes	6,198	10,802	5,407	0	22,407	21,875
Total personnel expenses	<u>94,755</u>	<u>165,152</u>	<u>82,662</u>	<u>0</u>	<u>342,569</u>	<u>338,612</u>
Marketing						
Advertising	<u>10,104</u>	<u>17,611</u>	<u>8,814</u>	<u>0</u>	<u>36,529</u>	<u>53,251</u>
Office						
Equipment and software support	12,492	21,773	10,898	0	45,163	45,938
Dues and subscriptions	2,066	3,601	1,803	0	7,470	11,437
Postage	1,225	2,136	1,069	0	4,430	4,698
Supplies	1,139	1,986	994	0	4,119	4,051
Printing	722	1,259	630	0	2,611	2,077
Telephone	8,139	14,185	7,100	0	29,424	25,720
Other	4,265	7,434	3,721	0	15,420	8,668
Total office expenses	<u>30,048</u>	<u>52,374</u>	<u>26,215</u>	<u>0</u>	<u>108,637</u>	<u>102,589</u>
Occupancy						
Insurance	6,697	316	115	0	7,128	6,333
Interest	6,724	317	115	0	7,156	13,372
Depreciation	52,932	2,496	907	0	56,335	65,338
Repairs and maintenance	32,263	1,521	553	0	34,337	29,121
Utilities	22,556	1,063	386	0	24,005	27,433
Total occupancy expenses	<u>121,172</u>	<u>5,713</u>	<u>2,076</u>	<u>0</u>	<u>128,961</u>	<u>141,597</u>
Grants to others	2,918,579	0	0	0	2,918,579	4,519,728
Program expense	136,398	0	0	0	136,398	100,878
Special events	34,530	0	0	33,704	68,234	328,324
Board and committee expense	4,551	0	0	0	4,551	3,576
Professional fees	24,224	3,237	1,620	0	29,081	28,399
Travel and training expense	1,698	2,960	1,482	0	6,140	11,096
Investment commissions	11,138	0	0	0	11,138	6,555
Other	1,228	2,136	1,069	0	4,433	5,019
Total expenses	<u>\$ 3,388,425</u>	<u>\$ 249,183</u>	<u>\$ 123,938</u>	<u>\$ 33,704</u>	<u>\$ 3,795,250</u>	<u>\$ 5,639,624</u>

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, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
Personnel					
Compensation	\$ 77,924	\$ 135,817	\$ 67,979	\$ 0	\$ 281,720
Retirement expense	2,342	4,083	2,044	0	8,469
Employee benefits	7,343	12,799	6,406	0	26,548
Payroll taxes	6,051	10,546	5,278	0	21,875
Total personnel expenses	<u>93,660</u>	<u>163,245</u>	<u>81,707</u>	<u>0</u>	<u>338,612</u>
Marketing					
Advertising	<u>14,730</u>	<u>25,672</u>	<u>12,849</u>	<u>0</u>	<u>53,251</u>
Office					
Equipment and software support	12,706	22,147	11,085	0	45,938
Dues and subscriptions	3,163	5,514	2,760	0	11,437
Postage	1,299	2,265	1,134	0	4,698
Supplies	1,121	1,953	978	0	4,052
Printing	575	1,001	501	0	2,077
Telephone	7,114	12,400	6,206	0	25,720
Other	2,398	4,179	2,092	0	8,669
Total office expenses	<u>28,376</u>	<u>49,459</u>	<u>24,756</u>	<u>0</u>	<u>102,591</u>
Occupancy					
Insurance	5,950	281	102	0	6,333
Interest	12,565	592	215	0	13,372
Depreciation	61,392	2,894	1,052	0	65,338
Repairs and maintenance	27,362	1,290	469	0	29,121
Utilities	25,776	1,215	442	0	27,433
Total occupancy expenses	<u>133,045</u>	<u>6,272</u>	<u>2,280</u>	<u>0</u>	<u>141,597</u>
Grants to others	4,519,728	0	0	0	4,519,728
Program expense	100,878	0	0	0	100,878
Special events	309,234	0	0	19,090	328,324
Board and committee expense	3,576	0	0	0	3,576
Professional fees	24,362	2,690	1,346	0	28,398
Travel and training expense	3,069	5,349	2,677	0	11,095
Investment commissions	6,555	0	0	0	6,555
Other	1,388	2,420	1,211	0	5,019
Total expenses	<u>\$ 5,238,601</u>	<u>\$ 255,107</u>	<u>\$ 126,826</u>	<u>\$ 19,090</u>	<u>\$ 5,639,624</u>

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

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

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 ASC 958, *Financial Statements for Not-for-Profit Organizations*. 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 the Financial Statements
For the Years Ended December 31, 2014 and 2013

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, 2014 and 2013, 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 the Financial Statements
For the Years Ended December 31, 2014 and 2013

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	10-40

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 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 the Financial Statements
For the Years Ended December 31, 2014 and 2013

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, 2014 and 2013, indirect expenses have been allocated on the basis of personnel costs or space usage.

Subsequent Events

Management has evaluated subsequent events through May 21, 2015, 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, 2014 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money Market Funds	\$ 2,618,517	\$ 2,618,517	\$ 0	\$ 0
Domestic Stocks	16,496,112	16,496,112	0	0
Foreign Stocks	3,958,439	3,958,439	0	0
Bonds	10,140,688	10,140,688	0	0
Convertibles and Preferred Stocks	<u>1,872,326</u>	<u>1,872,326</u>	<u>0</u>	<u>0</u>
	<u>\$ 35,086,082</u>	<u>\$ 35,086,082</u>	<u>\$ 0</u>	<u>\$ 0</u>
Investments Held in Trust				
Money Market Funds	355,617	355,617	0	0
Domestic Stocks	2,172,939	2,172,939	0	0
Foreign Stocks	515,785	515,785	0	0
Bonds	1,323,602	1,323,602	0	0
Convertibles and Preferred Stocks	<u>256,970</u>	<u>256,970</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,624,913</u>	<u>\$ 4,624,913</u>	<u>\$ 0</u>	<u>\$ 0</u>

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NOTE 2 - INVESTMENTS, CONTINUED

Investments presented in the financial statements at December 31, 2013 consist of the following:

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Money Market Funds	\$ 3,129,627	\$ 3,129,627	\$ 0	\$ 0
Domestic Stocks	14,952,991	14,952,991	0	0
Foreign Stocks	4,282,108	4,282,108	0	0
Bonds	9,346,694	9,346,694	0	0
Convertibles and Preferred Stocks	984,544	984,544	0	0
	<u>\$ 32,695,964</u>	<u>\$ 32,695,964</u>	<u>\$ 0</u>	<u>\$ 0</u>
Investments Held in Trust				
Money Market Funds	393,753	393,753	0	0
Domestic Stocks	2,197,324	2,197,324	0	0
Foreign Stocks	632,756	632,756	0	0
Bonds	1,371,369	1,371,369	0	0
Convertibles and Preferred Stocks	151,897	151,897	0	0
	<u>\$ 4,747,099</u>	<u>\$ 4,747,099</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	<u>2014</u>	<u>2013</u>
Investment revenue	\$ 389,404	\$ 428,976
Realized/unrealized gain (loss)	1,593,593	4,413,266
Total Investment Return	<u>\$ 1,982,997</u>	<u>\$ 4,842,242</u>

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NOTE 3 - NOTES RECEIVABLE, NET

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

	2014	2013
<p>The Foundation has one mortgage note receivable originally gifted from a charitable trust. The original amount of the note was \$45,678. The monthly payment consists of principal and interest with an interest rate of 5.0%. The term of the note is thirty years and the note is secured by real property. An allowance for doubtful accounts has been established at 10% due to the uncertainty of the receivable. The Foundation originally received eighteen notes receivable, of which ten have been paid in full, three have been foreclosed, and four have been deemed uncollectible and written off.</p>	\$ 45,346	\$ 45,457
Less: Current Portion	(691)	(685)
Allowance for Doubtful Accounts	(4,535)	(4,546)
Notes Receivable - Long-Term	\$ 40,120	\$ 40,226

Interest revenue on notes receivable totaled \$399 and \$762 for 2014 and 2013, respectively. During 2013, four of the remaining notes receivable were deemed to be uncollectible and a loss of \$105,863 is reported on the Statement of Activities.

NOTE 4 – PREPAIDS AND DEPOSITS

The Foundation had prepaids and deposits related to the following at December 31:

	2014	2013
Software Maintenance Contracts	\$ 19,594	\$ 13,765
Purchase of Software	38,960	38,960
Total Prepaids and Deposits	\$ 58,554	\$ 52,725

NOTE 5 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	2014	2013
Furniture and Equipment	\$ 326,759	\$ 325,590
Buildings	1,914,893	1,914,893
Land and Land Improvements	642,096	642,096
	2,883,748	2,882,579
Less: Accumulated Depreciation	(911,950)	(857,731)
Total Property & Equipment, Net	\$ 1,971,798	\$ 2,024,848

Depreciation expense for 2014 and 2013 was \$56,335 and \$65,338, respectively.

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NOTE 6 - NOTES PAYABLE

	2014	2013
Note payable to United Community Bank in the original amount of \$238,581, secured by land and building at 615 Oak Street with interest at prime (3.25% at December 31, 2014); monthly payments of \$1,200 beginning September 12, 2013, with payment of unpaid principal and interest due August 12, 2018.	\$ 201,063	\$ 229,307
Less: Current Portion	(7,285)	(7,052)
Long-Term Portion of Notes Payable	\$ 193,778	\$ 222,255

Maturity of notes payable
for the year ended December 31,

	Principal	Interest	Total
2015	\$ 7,285	\$ 7,115	\$ 14,400
2016	7,525	6,875	14,400
2017	7,773	6,627	14,400
2018	178,480	4,276	182,756
	\$ 201,063	\$ 24,893	\$ 225,956

Interest expense for 2014 and 2013 was \$7,156 and \$13,372, respectively.

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NOTE 7 - FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation has adopted 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. 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, 2014, the Foundation was the owner of 42 agency endowment funds with a combined value of \$8,110,182. At December 31, 2013, the Foundation was the owner of 38 agency endowment funds with a combined value of \$7,483,311. The following table summarizes activity in such funds during the year:

	<u>2014</u>	<u>2013</u>
Agency Endowment Fund balances as of January 1	\$ 7,483,311	\$ 6,607,711
Amounts raised	667,645	342,285
Investment Income	100,374	113,669
Investment Fees	(83,770)	(74,253)
Unrealized and realized investment gains (losses)	424,296	1,143,619
Grants	<u>(481,674)</u>	<u>(649,720)</u>
Agency Endowment Fund Balances as of December 31	<u>\$ 8,110,182</u>	<u>\$ 7,483,311</u>

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 2014 or 2013. Assets held in the charitable remainder trusts totaled \$3,166,092 and \$3,261,630 at December 31, 2014 and 2013, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2014, the Foundation held in trust ten Charitable Remainder Unitrusts and three Charitable Lead Annuity Trusts, which are payable as annuities over the life of the donor. The amount of \$1,466,127, shown as \$255,176 current and \$1,210,951 long-term is the present value of the remaining annuity calculated using a discount rate of 2.0% and applicable Internal Revenue Service life expectancy tables. At December 31, 2013, the Foundation held in trust ten Charitable Remainder Unitrusts and three Charitable Lead Annuity Trusts, which are payable as annuities over the life of the donor. The amount of \$1,569,079, shown as \$264,673 current and \$1,304,406 long-term is the present value of the remaining annuity calculated using a discount rate of 2.0% 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.

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NOTE 9 - ANNUITY LIABILITIES

The Foundation held one deferred gift annuity, which is an insurance annuity that begins payment 15 years after the date of gift. The present value of the annuity was \$72,041 and \$66,011 at December 31, 2014 and 2013, respectively.

NOTE 10 - CHARITABLE LEAD TRUSTS

At various times, donors will establish trusts with the Foundation naming the Foundation as a lead beneficiary of charitable lead trusts. Under the terms of the split-interest agreements, the Foundation is to receive a percentage of the trust assets for a specified term. Assets held in the charitable lead trusts totaled \$1,487,991 and \$1,512,451 at December 31, 2014 and 2013, 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 as specified in the trusts. At the time of termination, the assets remaining in the trusts are to be distributed to others. Using a discount rate of 2.0% and 2.0% at December 31, 2014 and 2013, respectively, the present value of future benefits to be received by the Foundation was estimated to be \$960,255 and \$1,064,102 at December 31, 2014 and 2013, respectively. The Foundation received payments from the trusts totaling \$113,623 and \$124,873 during the years ended December 31, 2014 and 2013, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Charitable Remainder Trust Contributions (See Note 8)	\$ 1,699,967	\$ 1,692,551
Contributions for the Benevolent Fund	172	172
Total Temporarily Restricted Net Assets	<u>\$ 1,700,139</u>	<u>\$ 1,692,723</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>2014</u>	<u>2013</u>
Changes in Charitable Remainder Unitrusts	<u>\$ 32,870</u>	<u>\$ 31,502</u>

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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, 2014 and 2013 was \$8,584 and \$8,469, 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 \$2,298,943, of which \$260,239 is insured by the Federal Deposit Insurance Corporation, leaving \$2,038,704 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 \$32,821,793, which is at the risk of market change. This amount is secured from brokerage failure for up to \$1,598,542 by the Securities Investor Protection Corporation, leaving \$31,223,251 unsecured.

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.

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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>2014</u>	<u>2013</u>
Property and equipment, net	\$ 890,662	\$ 908,186
Depreciation expense	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, 2014, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Foundation has various revenue from charges for services which creates unrelated business income tax. The Foundation pays the required federal and state income tax at the corporate tax rates. This income tax is currently immaterial to 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 2010.

NOTE 17 – RESTATEMENT OF FINANCIAL STATEMENTS

The Foundation acts as trustee for various trusts and foundations that maintain their assets at the North Georgia Community Foundation. The Foundation does not have variance power as trustee and has reported these amounts in prior years as both an asset and a liability. In 2014, the Foundation determined that these assets should not be reported on the financial statements of the Foundation and has removed and restated the 2013 financial statements. Both the assets and liabilities for 2013 decreased by \$8,147,798 with this restatement. This restatement had no effect on Net Assets or the Statement of Activities.