



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

Financial Report

For the Years Ended December 31, 2023 and 2022

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

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

Opinion

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, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Georgia Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Georgia Community Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Georgia Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Georgia Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rushton, LLC

Certified Public Accountants
Gainesville, Georgia
April 1, 2024

North Georgia Community Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash	\$ 3,882,378	\$ 6,247,896
Investments	103,413,369	86,422,393
Other receivables	0	3,638
Fees receivable	346,939	312,029
Prepaid expenses and deposits	23,922	20,034
Total Current Assets	107,666,608	93,005,990
Property and equipment, net	2,286,026	2,430,088
Operating lease right-to-use asset, net	1,739,270	1,916,081
Cash held in trust	94,695	94,726
Investments held in trust	10,215,003	9,419,154
TOTAL ASSETS	\$ 122,001,602	\$ 106,866,039
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 48,157	\$ 79,104
Unearned revenue	12,600	20,500
Security deposits	640	640
Operating lease liability	179,402	176,810
Liabilities under split interest agreements	565,145	590,051
Total Current Liabilities	805,944	867,105
Long-Term Liabilities		
Funds held as agency endowments	24,141,292	23,975,425
Operating lease liability	1,559,868	1,739,271
Liabilities under split interest agreements	2,517,188	2,411,606
Annuity liabilities	86,546	86,874
Total Long-Term Liabilities	28,304,894	28,213,176
TOTAL LIABILITIES	29,110,838	29,080,281
Net Assets		
Without donor restriction		
Undesignated	85,429,970	70,930,508
Board-designated - reserves	1,151,047	1,167,753
Total without donor restriction	86,581,017	72,098,261
With donor restriction	6,309,747	5,687,497
TOTAL NET ASSETS	92,890,764	77,785,758
TOTAL LIABILITIES AND NET ASSETS	\$ 122,001,602	\$ 106,866,039

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, 2023
(with comparative totals for the year ended December 31, 2022)

	2023			2022 Total
	Without Donor Restriction	With Donor Restriction	Total	
Revenues, Gains and Other Support				
Contributions	\$ 12,919,651	\$ 0	\$ 12,919,651	\$ 11,196,037
Rentals	139,049	0	139,049	133,027
Investment revenue	3,300,599	278,365	3,578,964	2,674,768
Net realized/unrealized gain (loss) on investments	8,534,550	598,673	9,133,223	(18,886,280)
Change in value of split interest agreements	0	(180,942)	(180,942)	(574,581)
Special events	354,584	0	354,584	258,309
Foundation fees, net	301,606	0	301,606	140,414
Administrative fees	17,775	0	17,775	239,147
Other	43,139	0	43,139	95,656
Total Revenue, Gains and Other Support	25,610,953	696,096	26,307,049	(4,723,503)
Net Assets Released from Restrictions				
Restrictions satisfied by payments	73,846	(73,846)	0	0
Total Revenue, Gains, Reclassifications and Other Support	25,684,799	622,250	26,307,049	(4,723,503)
Expenses and Losses				
Program Services				
Grants awarded	8,665,725	0	8,665,725	11,015,869
Other program expense	1,775,006	0	1,775,006	1,323,292
Total program services	10,440,731	0	10,440,731	12,339,161
General and administrative	405,662	0	405,662	362,995
Fundraising	263,084	0	263,084	259,073
Costs of direct benefits to donors	92,312	0	92,312	71,336
Total Expenses	11,201,789	0	11,201,789	13,032,565
Loss on disposal of property and equipment	254	0	254	0
Total Expenses and Losses	11,202,043	0	11,202,043	13,032,565
INCREASE (DECREASE) IN NET ASSETS	14,482,756	622,250	15,105,006	(17,756,068)
BEGINNING NET ASSETS	72,098,261	5,687,497	77,785,758	95,541,826
ENDING NET ASSETS	\$ 86,581,017	\$ 6,309,747	\$ 92,890,764	\$ 77,785,758

North Georgia Community Foundation, Inc.
Consolidated Statement of Activities
For the year ended December 31, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 11,010,155	\$ 185,882	\$ 11,196,037
Rentals	133,027	0	133,027
Investment revenue	2,440,716	234,052	2,674,768
Net realized/unrealized gain (loss) on investments	(17,458,168)	(1,428,112)	(18,886,280)
Change in value of split interest agreements	0	(574,581)	(574,581)
Special events	258,309	0	258,309
Foundation fees, net	140,414	0	140,414
Administrative fees	239,147	0	239,147
Other	95,656	0	95,656
	<u>(3,140,744)</u>	<u>(1,582,759)</u>	<u>(4,723,503)</u>
Total Revenue, Gains and Other Support			
Net Assets Released from Restrictions			
Restrictions satisfied by payments	80,074	(80,074)	0
	<u>(3,060,670)</u>	<u>(1,662,833)</u>	<u>(4,723,503)</u>
Total Revenue, Gains, Reclassifications and Other Support			
	<u>(3,060,670)</u>	<u>(1,662,833)</u>	<u>(4,723,503)</u>
Expenses			
Program Services			
Grants awarded	11,015,869	0	11,015,869
Other program expense	1,323,292	0	1,323,292
Total program services	12,339,161	0	12,339,161
General and administrative	362,995	0	362,995
Fundraising	259,073	0	259,073
Costs of direct benefits to donors	71,336	0	71,336
	<u>13,032,565</u>	<u>0</u>	<u>13,032,565</u>
Total Expenses			
	<u>13,032,565</u>	<u>0</u>	<u>13,032,565</u>
INCREASE (DECREASE) IN NET ASSETS	(16,093,235)	(1,662,833)	(17,756,068)
BEGINNING NET ASSETS	88,191,496	7,350,330	95,541,826
ENDING NET ASSETS	<u>\$ 72,098,261</u>	<u>\$ 5,687,497</u>	<u>\$ 77,785,758</u>

North Georgia Community Foundation, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 15,105,006	\$ (17,756,068)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,829	73,269
Net realized/unrealized (gain) loss on investments	(9,133,223)	18,886,280
Loss on the disposal of property and equipment	254	0
(Increase) decrease in operating assets:		
Accounts receivable	3,638	(3,638)
Fees receivable	(34,910)	94,836
Prepaid expenses and deposits	(3,888)	(9,867)
Increase (decrease) in operating liabilities:		
Accounts payable	(30,947)	50,773
Unearned revenue	(7,900)	0
Liabilities under split interest agreements	80,676	(641,590)
Funds held as agency endowments	165,867	1,986,406
Annuity liabilities	(328)	(2,027)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,299,074	2,678,374
Cash Flows From Investing Activities		
Proceeds from sale of investments	16,815,688	11,618,056
Purchases of investments	(25,469,289)	(15,163,709)
Purchase of property and equipment	(11,022)	(605,834)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(8,664,623)	(4,151,487)
NET INCREASE (DECREASE) IN CASH	(2,365,549)	(1,473,113)
CASH, BEGINNING	6,342,622	7,815,735
CASH, ENDING	\$ 3,977,073	\$ 6,342,622
 CASH RECONCILIATION		
Cash	\$ 3,882,378	\$ 6,247,896
Cash held in trust	94,695	94,726
Total Cash	\$ 3,977,073	\$ 6,342,622

Noncash Activities:

Additions of right-to-use assets through operating lease liability of \$0 and \$1,995,221 in 2023 and 2022, respectively.

North Georgia Community Foundation, Inc.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2023
(with comparative totals for the year ended December 31, 2022)

	2023					2022 Totals
	Program Services	General and Administrative	Fundraising	Direct Benefits to Donors	Totals	
Personnel						
Compensation	\$ 431,310	\$ 273,738	\$ 179,690	\$ 0	\$ 884,738	\$ 836,232
Retirement expense	21,598	13,708	8,998	0	44,304	39,679
Employee benefits	59,450	37,731	24,768	0	121,949	120,858
Payroll taxes	29,985	19,030	12,492	0	61,507	59,578
Total personnel expenses	<u>542,343</u>	<u>344,207</u>	<u>225,948</u>	<u>0</u>	<u>1,112,498</u>	<u>1,056,347</u>
Marketing						
Advertising	<u>5,291</u>	<u>3,358</u>	<u>2,204</u>	<u>0</u>	<u>10,853</u>	<u>36,478</u>
Office						
Equipment and software support	50,764	3,689	2,210	0	56,663	53,398
Dues and subscriptions	11,258	818	490	0	12,566	10,355
Postage	3,242	236	141	0	3,619	3,150
Supplies	7,733	562	337	0	8,632	9,164
Printing	3,802	276	166	0	4,244	4,309
Telephone	13,220	961	575	0	14,756	15,102
Other	<u>29,735</u>	<u>2,161</u>	<u>1,294</u>	<u>0</u>	<u>33,190</u>	<u>7,843</u>
Total office expenses	<u>119,754</u>	<u>8,703</u>	<u>5,213</u>	<u>0</u>	<u>133,670</u>	<u>103,321</u>
Occupancy						
Insurance	40,340	2,931	1,756	0	45,027	27,419
Depreciation	138,712	10,079	6,038	0	154,829	73,269
Repairs and maintenance	68,341	4,966	2,975	0	76,282	63,836
Utilities	25,003	1,817	1,088	0	27,908	24,391
Lease	<u>182,585</u>	<u>13,267</u>	<u>7,948</u>	<u>0</u>	<u>203,800</u>	<u>97,232</u>
Total occupancy expenses	<u>454,981</u>	<u>33,060</u>	<u>19,805</u>	<u>0</u>	<u>507,846</u>	<u>286,147</u>
Grants to others	8,665,725	0	0	0	8,665,725	11,015,869
Program expense	422,370	0	0	0	422,370	245,236
Special events	85,194	0	0	92,312	177,506	129,493
Board and committee expense	38,046	0	0	0	38,046	10,475
Professional fees	45,261	743	445	0	46,449	46,621
Travel and training expense	21,345	10,945	8,750	0	41,040	43,191
Investment commissions	23,907	0	0	0	23,907	2,524
Income taxes	0	3,446	0	0	3,446	34,710
Other	<u>16,514</u>	<u>1,200</u>	<u>719</u>	<u>0</u>	<u>18,433</u>	<u>22,153</u>
Total expenses	<u>\$ 10,440,731</u>	<u>\$ 405,662</u>	<u>\$ 263,084</u>	<u>\$ 92,312</u>	<u>\$ 11,201,789</u>	<u>\$ 13,032,565</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, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Totals</u>
Personnel					
Compensation	\$ 434,925	\$ 223,022	\$ 178,285	\$ 0	\$ 836,232
Retirement expense	20,637	10,582	8,460	0	39,679
Employee benefits	62,858	32,233	25,767	0	120,858
Payroll taxes	30,987	15,889	12,702	0	59,578
Total personnel expenses	<u>549,407</u>	<u>281,726</u>	<u>225,214</u>	<u>0</u>	<u>1,056,347</u>
Marketing					
Advertising	<u>18,972</u>	<u>9,729</u>	<u>7,777</u>	<u>0</u>	<u>36,478</u>
Office					
Equipment and software support	48,058	3,204	2,136	0	53,398
Dues and subscriptions	9,320	621	414	0	10,355
Postage	2,835	189	126	0	3,150
Supplies	8,247	550	367	0	9,164
Printing	3,878	259	172	0	4,309
Telephone	13,592	906	604	0	15,102
Other	7,058	471	314	0	7,843
Total office expenses	<u>92,988</u>	<u>6,200</u>	<u>4,133</u>	<u>0</u>	<u>103,321</u>
Occupancy					
Insurance	24,677	1,645	1,097	0	27,419
Depreciation	65,942	4,396	2,931	0	73,269
Repairs and maintenance	57,453	3,830	2,553	0	63,836
Utilities	21,952	1,463	976	0	24,391
Lease	87,509	5,834	3,889	0	97,232
Total occupancy expenses	<u>257,533</u>	<u>17,168</u>	<u>11,446</u>	<u>0</u>	<u>286,147</u>
Grants to others	11,015,869	0	0	0	11,015,869
Program expense	245,236	0	0	0	245,236
Special events	58,157	0	0	71,336	129,493
Board and committee expense	10,475	0	0	0	10,475
Professional fees	45,598	614	409	0	46,621
Travel and training expense	22,464	11,519	9,208	0	43,191
Investment commissions	2,524	0	0	0	2,524
Income taxes	0	34,710	0	0	34,710
Other	19,938	1,329	886	0	22,153
Total expenses	<u>\$ 12,339,161</u>	<u>\$ 362,995</u>	<u>\$ 259,073</u>	<u>\$ 71,336</u>	<u>\$ 13,032,565</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, 2023 and 2022

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 Northeast Georgia 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*, as updated by Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard 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 two classes of net assets, with donor restrictions and without donor restrictions, 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 net assets without donor restrictions.

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, 2023 and 2022

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. The Foundation currently has no level 2 investments.

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, 2023 and 2022, 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 7).

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, 2023 and 2022

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 and land improvements	15
Building	10-40
Leasehold improvements	10

Right-to-Use Leased Assets

The Foundation has recorded right-to-use leased assets as a result of implementing FASB 2016-02 Topic 842, *Leases*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service.

Contributions

Contributions received are recorded as without donor restriction or with donor restriction 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 net assets without donor restriction 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 net assets with donor restriction depending on the nature of the restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

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 contributions with donor restriction. 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 net assets with donor restriction to net assets without donor restriction 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 net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose.

NORTH GEORGIA COMMUNITY FOUNDATION, INC.
Consolidated Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Revenue and Revenue Recognition

The Foundation recognizes revenue from foundation fees and administrative fees as services are provided. Foundation fees for services are performed and recognized quarterly. Administrative fees for services are performed and recognized monthly.

The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Facility rentals are recognized when the performance obligation of providing space for the event is satisfied. These typically are satisfied and recognized monthly.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There are currently no conditional promises to give to report.

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 and state income taxes, except on net income derived from unrelated business activities. The Foundation receives certain trustee and service fees that are unrelated to its exempt purpose which is subject to tax on unrelated business activity. At December 31, 2023, the Foundation recorded a tax liability of \$3,446 of which \$12,630 in estimated tax payments have been paid during 2023 leaving a net tax asset of \$9,184, which is included in prepaid expenses. At December 31, 2022, the Foundation recorded a tax liability of \$36,594 of which \$38,973 in estimated tax payments have been paid during 2022 leaving a net tax asset of \$2,379, which is included in prepaid expenses.

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, 2023 and 2022, payroll related items have been allocated on the basis of personnel time spent and overhead costs have been allocated on the basis of space usage.

Advertising Expenses

The Foundation uses advertising to promote its programs. The costs for advertising are expensed as incurred. During 2023 and 2022, advertising costs totaled \$10,853 and \$36,478, respectively.

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NOTE 2 – CASH AND INVESTMENTS

Unrestricted cash and investments for the Foundation at December 31, consist of the following:

	<u>2023</u>	<u>2022</u>
Capital reserve and operating	\$ 1,342,462	\$ 1,507,727

Investments presented in the financial statements at December 31, 2023 consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments			
Money Market Funds	\$ 10,320,368	\$ 10,320,368	\$ 0
Mutual Funds:			
Equity focused funds	60,539,700	60,539,700	0
Fixed income focused funds	32,553,301	32,553,301	0
	<u>\$ 103,413,369</u>	<u>\$ 103,413,369</u>	<u>\$ 0</u>
Investments			
Held in Trust			
Money Market Funds	\$ 423,014	\$ 423,014	\$ 0
Mutual Funds:			
Equity focused funds	6,029,153	6,029,153	0
Fixed income focused funds	3,322,386	3,322,386	0
Privately held company stock	440,450	0	440,450
	<u>\$ 10,215,003</u>	<u>\$ 9,774,553</u>	<u>\$ 440,450</u>

Investments presented in the financial statements at December 31, 2022 consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Investments			
Money Market Funds	\$ 10,940,507	\$ 10,940,507	\$ 0
Mutual Funds:			
Equity focused funds	48,508,029	48,508,029	0
Fixed income focused funds	26,973,857	26,973,857	0
	<u>\$ 86,422,393</u>	<u>\$ 86,422,393</u>	<u>\$ 0</u>
Investments			
Held in Trust			
Money Market Funds	\$ 619,531	\$ 619,531	\$ 0
Mutual Funds:			
Equity focused funds	5,324,371	5,324,371	0
Fixed income focused funds	3,034,802	3,034,802	0
Privately held company stock	440,450	0	440,450
	<u>\$ 9,419,154</u>	<u>\$ 8,978,704</u>	<u>\$ 440,450</u>

The privately held company stock listed as level 3 is carried at original value rather than fair value.

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NOTE 2 – CASH AND INVESTMENTS, CONTINUED

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

	<u>2023</u>	<u>2022</u>
Investment revenue	\$ 3,578,964	\$ 2,674,768
Realized/unrealized gain (loss)	<u>9,133,223</u>	<u>(18,886,280)</u>
	<u>\$ 12,712,187</u>	<u>\$ (16,211,512)</u>

NOTE 3 – LIQUIDITY

Per its financial policies, the Foundation maintains a minimum operating reserve of 6 months based on their operating budget.

Financial assets available within one year for general operating expenses are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 261,214	\$ 638,285
Investments	<u>1,081,248</u>	<u>869,442</u>
	<u>\$ 1,342,462</u>	<u>\$ 1,507,727</u>

The Foundation expects to have these liquid assets available for use on general operating expenses in the next year.

In addition, the Foundation maintains the following donor funds available for grants and donor fund expenses as of December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,621,164	\$ 5,609,611
Investments	<u>102,332,121</u>	<u>85,552,951</u>
	<u>\$ 105,953,285</u>	<u>\$ 91,162,562</u>

NOTE 4 – PREPAID EXPENSES

The Foundation had prepaid expenses related to the following at December 31:

	<u>2023</u>	<u>2022</u>
Insurance	\$ 12,678	\$ 17,655
Special events	2,060	0
Income taxes	<u>9,184</u>	<u>2,379</u>
	<u>\$ 23,922</u>	<u>\$ 20,034</u>

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NOTE 5 - PROPERTY & EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 311,039	\$ 301,622
Buildings	2,177,649	2,177,649
Land and land improvements	668,601	668,601
Leasehold improvements	355,536	355,536
	<u>3,512,825</u>	<u>3,503,408</u>
Less: accumulated depreciation	<u>(1,226,799)</u>	<u>(1,073,320)</u>
Property & equipment, net	<u>\$ 2,286,026</u>	<u>\$ 2,430,088</u>

Depreciation expense for 2023 and 2022 was \$154,829 and \$73,269, respectively.

NOTE 6 - 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 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, 2023, the Foundation held 93 agency endowment funds with a combined value of \$24,141,292. At December 31, 2022, the Foundation held 91 agency endowment funds with a combined value of \$23,975,425. The following table summarizes activity in such funds during the year:

	<u>2023</u>	<u>2022</u>
Beginning agency endowment fund balances	\$ 23,975,425	\$ 21,989,019
Amounts raised	1,689,407	6,770,243
Investment income	1,121,507	714,934
Investment fees	(267,444)	(231,793)
Unrealized and realized investment gains (losses)	2,395,848	(4,738,017)
Grants	<u>(4,773,451)</u>	<u>(528,961)</u>
Ending agency endowment fund balances	<u>\$ 24,141,292</u>	<u>\$ 23,975,425</u>

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NOTE 7 - LIABILITIES UNDER SPLIT INTEREST AGREEMENTS

The Foundation administers various charitable trusts. A charitable 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 become available for charitable purposes. The portion of the trust attributable to the present value of the future benefits to be received by for charitable purposes is recorded in the Statement of Activities as a contribution with donor restriction in the period the trust is established. There were \$0 in contributions in 2023 and \$185,882 for 2022. Assets held in the charitable trusts totaled \$10,309,698 and \$9,513,880 at December 31, 2023 and 2022, respectively, and are reported at fair value in the Foundation's Statement of Financial Position. At December 31, 2023, the Foundation held in trust seven Charitable Remainder Unitrusts (CRT), two Charitable Remainder Annuity Trusts (CRAT) and two Charitable Lead Annuity Trusts (CLAT), which are payable as annuities over the life of the donor. The amount of \$3,082,333 reported as \$565,145 current and \$2,517,188 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, 2022, the Foundation held in trust seven Charitable Remainder Unitrusts (CRT), three Charitable Remainder Annuity Trusts (CRAT) and two Charitable Lead Annuity Trusts (CLAT), which are payable as annuities over the life of the donor. The amount of \$3,001,657 reported as \$590,051 current and \$2,411,606 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.

NOTE 8 - 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 \$86,546 and \$86,874 at December 31, 2023 and 2022, respectively.

NOTE 9 – LEASES

Operating Lease

The Foundation entered into an office space lease agreement beginning January 12, 2022, through October 15, 2032. At commencement, the Foundation recorded an operating lease liability of \$1,995,221. Calculations were based on a 130-month non-cancelable term and the current risk-free rate of 1.456%.

The following is a schedule of future minimum payments required under our operating lease liabilities together with their present value at December 31, 2023:

Year Ending December 31,	Amount
2024	\$ 179,402
2025	183,560
2026	190,869
2027	193,667
2028	198,083
2029-32	793,689
Total lease payments due under operating lease liabilities	<u>\$ 1,739,270</u>

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NOTE 9 – LEASES, CONTINUED

Right-to-Use Assets

On January 1, 2022 the Foundation recorded a right-to-use asset of \$1,995,221. The calculations were based on the initial operating lease liability. The subsequent measurement is based on the carrying amount of the lease liability adjusted for straight-line rent accrual.

As of December 31, 2023, the right-to-use asset balance was \$1,739,270.

NOTE 10 - BOARD DESIGNATED NET ASSETS

The Foundation board has designated net assets for the following at December 31:

	<u>2023</u>	<u>2022</u>
Operating reserve	\$ 1,065,680	\$ 943,921
Capital reserve	85,367	223,832
	<u>\$ 1,151,047</u>	<u>\$ 1,167,753</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Charitable Trust Contributions (See Note 7)	<u>\$ 6,309,747</u>	<u>\$ 5,687,497</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>2023</u>	<u>2022</u>
Changes in Charitable Trusts (See Note 7)	<u>\$ 73,846</u>	<u>\$ 80,074</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 12 months of service, the Foundation will match employee contributions up to 6% 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, 2023 and 2022 was \$44,304 and \$39,679, respectively.

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

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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 \$4,021,492, of which \$286,742 is insured by the Federal Deposit Insurance Corporation, leaving \$3,734,750 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 \$113,240,679 which is at the risk of market change. This amount is secured from brokerage failure for up to \$2,939,387 by the Securities Investor Protection Corporation, leaving \$110,301,292 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.

Trustee Capacity

The Foundation serves as Trustee for certain entities of which it receives a trustee fee for this capacity. Trustee responsibilities increase the fiduciary risk of the Foundation.

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>2023</u>	<u>2022</u>
Property and equipment, net	\$ 732,946	\$ 750,470
Depreciation expense	17,524	17,524

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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, 2023, 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.

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 2020.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 1, 2024 the date the financial statements were available to be issued.

NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS

The Foundation has implemented FASB ASU No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, as of January 1, 2023. This ASU requires estimating all expected credit losses for certain types of financial instruments, including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Foundation has completed its evaluation of the impact of adopting this standard and has concluded that it will not have a material impact on the Foundation's consolidated statement of financial position or consolidated statement of activities.