

Communities of Coastal Georgia
Foundation, Inc.

Financial Report

December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Communities of Coastal Georgia Foundation, Inc.
St. Simons Island, Georgia

We have audited the accompanying financial statements of Communities of Coastal Georgia Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities of Coastal Georgia Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moore Stephens Tiller LLC

Brunswick, Georgia
July 26, 2017

Communities of Coastal Georgia Foundation, Inc.

Statements of Financial Position

December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 2,466,678	\$ 3,137,701
Accounts receivable	96	75,000
Pledges receivable, net	200,870	11,000
Grants receivable	30,000	60,000
Beneficial interest in remainder trusts	83,136	110,022
Beneficial interest in lead trust	499,245	620,874
Investments, at fair value	13,093,240	11,371,330
Artwork held for sale	475,000	510,000
Prepaid expenses	7,574	7,779
Assets held in trust - deferred compensation	40,780	17,769
Security deposit	<u>735</u>	<u>735</u>
Total Assets	<u>\$ 16,897,354</u>	<u>\$ 15,922,210</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 9,864	\$ 5,680
Accrued payroll	-	6,485
Deferred compensation payable	40,780	17,769
Amounts held to benefit an agency fund	<u>2,380,703</u>	<u>2,255,630</u>
Total Liabilities	<u>2,431,347</u>	<u>2,285,564</u>

Net Assets

Unrestricted	13,633,296	12,815,290
Temporarily restricted	<u>832,711</u>	<u>821,356</u>
Total net assets	<u>14,466,007</u>	<u>13,636,646</u>
Total Liabilities and Net Assets	<u>\$ 16,897,354</u>	<u>\$ 15,922,210</u>

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Statements of Activity

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Support and Revenue		
Contributions	\$ 2,662,077	\$ 3,422,389
Investment income	219,016	194,122
Management fee	11,976	10,975
Other income	106	5,271
Gain from sale of artwork held for sale	-	150,000
Realized and unrealized gains (losses)	<u>405,686</u>	<u>(388,354)</u>
Total Unrestricted Support and Revenue	3,298,861	3,394,403
Net assets released by satisfaction of restrictions	<u>170,000</u>	<u>130,142</u>
Total Unrestricted Support and Reclassifications	<u>3,468,861</u>	<u>3,524,545</u>
Expenses		
Grants and programs	2,317,952	2,058,091
Operating Expenses		
Salaries	182,983	170,014
General and administrative	<u>149,920</u>	<u>136,971</u>
Total operating expenses	<u>332,903</u>	<u>306,985</u>
Total Unrestricted Grants and Operating Expenses	<u>2,650,855</u>	<u>2,365,076</u>
Increase in Unrestricted Net Assets	<u>818,006</u>	<u>1,159,469</u>
Temporarily Restricted Net Assets		
Contributions	166,270	71,000
Change in value of split-interest agreements	15,085	19,057
Net assets released by satisfaction of restrictions	<u>(170,000)</u>	<u>(130,142)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>11,355</u>	<u>(40,085)</u>
Increase in Net Assets	<u>829,361</u>	<u>1,119,384</u>
Net Assets, Beginning	<u>13,636,646</u>	<u>12,517,262</u>
Net Assets, Ending	<u>\$ 14,466,007</u>	<u>\$ 13,636,646</u>

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 829,361	\$ 1,119,384
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gains) and losses on investments	(405,686)	388,354
Noncash contributions	(667,833)	(670,654)
Gain on sale of artwork held for sale	-	(150,000)
Changes in operating assets and liabilities:		
Accounts receivable	(96)	-
Grants receivable	30,000	(60,000)
Pledges receivable	(189,870)	(11,000)
Beneficial interest in remainder trust	26,886	(2,075)
Beneficial interest in lead trust	121,629	113,018
Prepaid expenses	205	(207)
Assets held for deferred compensation arrangement	(23,011)	(12,600)
Accounts payable	4,184	(1,139)
Accrued payroll	(6,485)	799
Deferred compensation payable	23,011	12,600
Amounts held to benefit an agency fund	125,073	40,767
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(132,632)</u>	<u>767,247</u>
Cash Flows From Investing Activities		
Collection on installment sale	75,000	175,000
Purchase of investments	(5,155,659)	(11,483,872)
Sale of investments	4,542,268	11,152,452
<i>Net Cash Used in Investing Activities</i>	<u>(538,391)</u>	<u>(156,420)</u>
Net Change in Cash and Cash Equivalents	(671,023)	610,827
Cash and Cash Equivalents, Beginning	<u>3,137,701</u>	<u>2,526,874</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,466,678</u>	<u>\$ 3,137,701</u>

See accompanying notes to the financial statements.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

General: Communities of Coastal Georgia Foundation, Inc. (the “Foundation”) is a publicly-supported community foundation based in Glynn County. The Foundation was established in 2005 for the purpose of improving the quality of life in Coastal Georgia by promoting and increasing responsible, effective philanthropy.

The Foundation provides grants to charitable organizations throughout Camden, Glynn, and McIntosh Counties in Southeast Georgia. Through the Foundation’s donor advised funds, grants can be made to any qualified nonprofit organization in the United States of America.

Basis of Presentation: The Foundation follows standards established by the Financial Accounting Standards Board (the “FASB”). References to Generally Accepted Accounting Principles (“GAAP”) in these notes are to *FASB Accounting Standards Codification*, sometimes referred to as the “Codification” or “ASC”. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, GAAP requires that resources be classified into categories established according to their nature and purpose. The Foundation reports its financial position and activities according to three classes of net assets as follows:

Unrestricted - Net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Foundation and its purposes. The significant categories of unrestricted net assets maintained by the Foundation are the founders fund, operating fund, donor advised funds, and discretionary grant making fund (see Note 13).

Temporarily restricted - Net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by actions of the Foundation (see Note 13).

Permanently restricted - Net assets are resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Foundation. For the reasons noted below there were no permanently restricted net assets as of December 31, 2016 and 2015.

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purposes for which the contributions are intended. Pursuant to the Foundation's articles of incorporation and by-laws, as well as all fund agreements by and between the Foundation and donors, the Board of Trustees maintains ultimate authority and control over contributions received and the related income and net change in value realized thereon. As a result of this "variance power", none of the net assets of the Foundation is classified as permanently restricted; rather, they are all classified as unrestricted, unless otherwise encumbered by a time stipulation.

Communities of Coastal Georgia Foundation, Inc.

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Contributions: In accordance with GAAP, contributions received as well as unconditional promises to give are recognized in the year received. Contributions with donor-imposed restrictions are reported as temporarily restricted revenue. When a donor-imposed restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released by satisfaction of restriction. Restricted contributions whose restrictions are met in the same year are reported as unrestricted contributions.

Cash: Cash includes highly liquid investments that are readily convertible into cash and have a maturity of twelve months or less when purchased. Cash and cash equivalents held by investment money managers are classified with investments in these financial statements.

Cash equivalents also include a Certificate of Deposit (CD) account that holds multiple tradable CDs. The Foundation purchases the CDs with lateral maturity dates for the purpose of steady cash flow. The Foundation defines lateral maturity dates as no greater than 6 months between the maturity dates of each lateral CD. The Foundation purchases the CDs with the intent to hold each CD until full maturity.

On occasion, the Foundation maintains cash balances on deposit with financial institutions in excess of federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure of loss to be minimal.

Pledges Receivable: Pledges receivable are stated at the present value of their estimated future cash flows. Pledges receivable consist of unconditional promises to give that are expected to be collected in future years. The discount on these amounts is computed using risk-free rates applicable in the years in which those promises are received. Amortization of the discounts is included in “contributions” in the accompanying statement of activities. Pledges receivable are reviewed for collectibility and reserves for uncollected amounts are established when indication warrants the need. Concentrations of credit risk with respect to pledges receivable are, in management's opinion, considered minimal due to the Foundation's diverse donor base.

Accounts and Grants Receivable: Receivables are stated at the amount the Foundation expects to collect from balances outstanding. The Foundation closely monitors outstanding balances throughout the year, and writes off all balances that are considered uncollectible.

Beneficial Interest in Remainder Trusts: The Foundation is named beneficiary of two charitable remainder trusts that are controlled by third parties. The assets for the contribution receivable were recorded as temporarily restricted net assets when the Foundation was notified of the trusts' existence. The receivable is stated at present value of the amount expected to be received. Under the terms of both trusts, the Foundation will receive the contribution at the donor's death. Present value is determined using an appropriate discount rate and actuarially determined life expectancies. The net revaluation based on the calculation to determine present value is recorded as change in value of

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split-interest agreements on the Statements of Activity. Any change in the value of the assets in the charitable remainder trust is reported in contributions of temporarily restricted net assets when the Foundation is aware of the value change.

Beneficial Interest in Lead Trust: During 2011, the Foundation was named beneficiary of a charitable lead annuity trust that is controlled by a trustee that is a former member of the Foundation's board of directors. The trust provides \$130,000 per year to the Foundation for ten years. The assets for the contribution receivable were recorded as temporarily restricted net assets when the Foundation was notified of the trust's existence. The receivable is stated at present value of the amount to be received. Present value is determined using an appropriate discount rate. The net revaluation is recorded as a change in value of split-interest agreements on the Statements of Activity.

Investments: Investments in equity securities and mutual funds are carried at fair value based on unadjusted quoted market prices. Fixed income securities are valued based upon yields or prices of securities of comparable quality, coupon, maturity and type as well as indications as to values from brokers and dealers.

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

Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to the value of investment securities, it is reasonably possible that risks in the near term could materially affect the amounts reported in the accompanying financial statements.

Property and Equipment: Property and equipment are stated at cost. Acquisitions in excess of \$2,500 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. For the years ending December 31, 2016 and 2015, the Foundation's property and equipment are fully depreciated.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in these financial statements. Actual results may differ from those estimates.

Income Taxes: The Foundation is a qualifying, nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code and as such is generally exempt from federal and state income taxes. The Foundation may be subject to income taxes if it failed to maintain its exempt status or if it conducted certain unrelated business activity. The Foundation has evaluated both its federal and state income tax positions, including positions that could have an effect on the

Communities of Coastal Georgia Foundation, Inc.

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Foundation's exempt status, and has concluded that it has no uncertain tax positions that require disclosure. The Foundation files informational returns in the U.S. federal jurisdiction and one state jurisdiction. The Foundation is generally no longer subject to federal or state tax examinations for years before 2013. Interest and penalties are expensed as incurred. No interest or penalties were charged to expense for the years ending December 31, 2016 and 2015.

Reclassifications: Certain amounts in the December 31, 2015 financial statements have been reclassified to conform to the presentation utilized at December 31, 2016. These reclassifications have no impact on previously reported financial position, change in net assets, or cash flows.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows as of December 31, 2016 and 2015:

	2016	2015
Less than one year	\$ 200,870	\$ 8,500
One year to five years	-	2,500
Total pledge receivable	<u>\$ 200,870</u>	<u>\$ 11,000</u>

NOTE 3 – GRANTS RECEIVABLE

Grants receivable are expected to be collected as follows as of December 31, 2016 and 2015:

	2016	2015
Less than one year	\$ 30,000	\$ 30,000
One year to five years	-	30,000
Total grants receivable	<u>\$ 30,000</u>	<u>\$ 60,000</u>

During 2015, the Foundation received a conditional grant. The total grant amount was \$150,000 to be received in three annual payments. The first payment was received in June of 2015 in the amount of \$50,000 with no required conditions. The second payment was received in June of 2016 after meeting the restrictions of the grant. The payment was reported in unrestricted contributions on the Statements of Activity. The third payment of \$50,000 will be available in June 2017. The matching period for the third payment is from July 1, 2016 to June 30, 2018. If the matching funds are not raised during the specified time period, the third payment of the grant may be forfeited. The conditional portion of the grant is not recognized as an asset or revenue until the conditions are substantially met.

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 4 – BENEFICIAL INTEREST IN REMAINDER TRUST

The receivable from split-interest agreements provided by charitable remainder unitrusts represents the estimated net present value of the Foundation's interest in irrevocable trusts held by third parties. The balance of this receivable is as follows at December 31, 2016 and 2015:

	2016	2015
Beneficial interest in remainder trusts	\$ 96,400	\$ 130,000
Less discount to present value	(13,264)	(19,978)
	<u>\$ 83,136</u>	<u>\$ 110,022</u>

Actuarial assumptions published by the Social Security Administration and a discount rate range from 0.28% to 4.89% were used in calculating the present value.

NOTE 5 – BENEFICIAL INTEREST IN LEAD TRUST

The receivable from a split-interest agreement provided by a charitable lead annuity trust represents the estimated net present value of the Foundation's interest in an irrevocable trust held by a third party. The balance of this receivable is as follows at December 31, 2016 and 2015:

	2016	2015
Beneficial interest in lead trust	\$ 520,000	\$ 650,000
Less discount to present value	(20,755)	(29,126)
	<u>\$ 499,245</u>	<u>\$ 620,874</u>

A discount rate of 1.93% for 2016 and 1.76% for 2015 equal to the 10-year United States Treasury rate was used in calculating the present value.

NOTE 6 – ARTWORK HELD FOR SALE

In 2014, a donor contributed two pieces of artwork to the Foundation, and the Foundation immediately listed it for sale. The artwork was recorded at the appraised value of \$610,000 at the date of the contribution. One of the pieces had an appraised value of \$510,000 and the second with an appraised value of \$100,000. During 2015, the artwork appraised at \$100,000 was sold on installment with a sales price of \$250,000. The balance on the installment arrangement at December 31, 2015 is reported as accounts receivable on the Statements of Financial Position in the amount of \$75,000. The balance on the installment was paid in full during 2016. The value of the remaining artwork held for sale declined during 2016. The decline in the value was recorded on the Statements of Activity in contributions. Artwork held for sale for the year ended December 31, 2016 and 2015 totaled \$475,000 and \$510,000, respectively (See Note 15).

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

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NOTE 7 – ENDOWMENT FUND

As of December 31, 2016 and 2015, the Board of Directors had designated \$4,473,350 and \$2,168,411, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Foundation has a spending policy of appropriating for distribution each year 5% of its board-designated endowment fund's average asset value calculated on September 30 each year over a rolling twelve-quarter period. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its general endowment fund to grow at a minimum of 5% annually, plus inflation. Therefore, the Directors reserve the right in any given year to spend below its 5% spending policy level.

To achieve its investment objectives, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equities, fixed income securities, cash reserves and alternatives. The allocation of assets should adhere to the following guidelines:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	40%	70%
Fixed income	2%	29%
Hedge Funds	0%	22%
Real Estate	0%	11%
Commodities	0%	13%
Cash reserves	0%	20%

Composition of and changes in endowment net assets for the year ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Board-designated endowment net assets, beginning of year	\$ 2,168,411	\$ 2,117,893
Contributions	1,194,034	160,797
Interest and dividends, net of fees	74,388	52,243
Realized/unrealized gains (losses)	139,013	(99,979)
Transfer from (to) nonendowed net assets	929,036	(41,517)
Amounts appropriated for expenditure	(31,532)	(21,026)
Board-designated endowment net assets, end of year	<u>\$ 4,473,350</u>	<u>\$ 2,168,411</u>

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 8 – INVESTMENTS

Investments were comprised of the following at December 31, 2016 and 2015:

	2016	2015
Marketable equity securities	\$ 987,589	\$ 1,504,082
Mutual funds	10,405,084	8,263,695
Hedge funds	1,192,432	792,403
Cash and cash equivalents	508,135	811,150
	<u>\$ 13,093,240</u>	<u>\$ 11,371,330</u>

Investment income as reported on the Statements of Activity is net of investment fees. Investment fees for the year ended December 31, 2016 and 2015 totaled \$42,370 and \$36,895, respectively.

NOTE 9 – FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Foundation discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of fair value as follows:

Level 1 — Valuation is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical investments.

Level 2 — Valuation is based on inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active and investments in investees which may permit redemption at the net asset value (or equivalent) within the near-term of the measurement date.

Level 3 — Valuation is based on unobservable inputs and investments in investees which do not permit redemption at the net asset value (or equivalent) within the near-term of the measurement date.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

Communities of Coastal Georgia Foundation, Inc.

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When available, the Foundation uses quoted market prices to determine the fair value of investment securities. These investments are included in Level 1 and primarily consist of equity securities and mutual funds. For investments held in hedge funds that do not have quoted market prices, the Foundation uses other inputs including estimates provided by the investment managers. To the extent that the investments held in hedge funds offer liquidity at least quarterly, hedge funds are categorized in Level 2; otherwise, they are categorized in Level 3. The Foundation also uses other observable inputs including market interest rate curves and credit spreads, where applicable. These investments are included in Level 2 and primarily consist of fixed income; otherwise, they are categorized in Level 3.

Assets as of December 31, 2016 and 2015 measured at fair value are summarized below:

December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities	\$ 987,589	\$ -	\$ -	\$ 987,589
Mutual funds	10,405,084	-	-	10,405,084
Hedge funds	-	1,192,432	-	1,192,432
Cash and cash equivalents	508,135	-	-	508,135
Total Investments	<u>11,900,808</u>	<u>1,192,432</u>	<u>-</u>	<u>13,093,240</u>
Receivables under split-interest agreements	-	-	582,381	582,381
Total Assets Measured at Fair Value	<u>\$ 11,900,808</u>	<u>\$ 1,192,432</u>	<u>\$ 582,381</u>	<u>\$ 13,675,621</u>

December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equity securities	\$ 1,504,082	\$ -	\$ -	\$ 1,504,082
Mutual funds	8,263,695	-	-	8,263,695
Hedge funds	-	792,403	-	792,403
Cash and cash equivalents	811,150	-	-	811,150
Total Investments	<u>10,578,927</u>	<u>792,403</u>	<u>-</u>	<u>11,371,330</u>
Receivables under split-interest agreements	-	-	730,896	730,896
Total Assets Measured at Fair Value	<u>\$ 10,578,927</u>	<u>\$ 792,403</u>	<u>\$ 730,896</u>	<u>\$ 12,102,226</u>

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

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The Level 3 agreements are reported at their net present values as described in Note 4 and Note 5. They are subject to specific significant unobservable inputs, which are summarized as follows:

	Fair Value at 12/31/2016	Valuation Method	Significant Unobservable Inputs	Range of Inputs
Beneficial interest in remainder trust	\$ 39,382	Discounted Cash Flow	Life Expectancy (years) Discount Rate	5 4.89%
Beneficial interest in remainder trust	43,754	Discounted Cash Flow	Life Expectancy (years) Discount Rate	21 0.28%
Beneficial interest in lead trust	499,245	Discounted Cash Flow	Duration (months) Discount Rate	48 1.93%
	<u>\$ 582,381</u>			
	Fair Value at 12/31/2015	Valuation Method	Significant Unobservable Inputs	Range of Inputs
Beneficial interest in remainder trust	\$ 37,546	Discounted Cash Flow	Life Expectancy (years) Discount Rate	6 4.89%
Beneficial interest in remainder trust	72,476	Discounted Cash Flow	Life Expectancy (years) Discount Rate	22 0.45%
Beneficial interest in lead trust	620,874	Discounted Cash Flow	Duration (months) Discount Rate	60 1.76%
	<u>\$ 730,896</u>			

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Statements of Financial Position using significant unobservable (Level 3) inputs:

	2016	2015
Beginning Balance	\$ 730,896	\$ 841,839
Change in value	(18,515)	19,057
Annuity payments	(130,000)	(130,000)
Ending Balance	<u>\$ 582,381</u>	<u>\$ 730,896</u>

Communities of Coastal Georgia Foundation, Inc.

Notes to Financial Statements

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NOTE 10 – AMOUNTS HELD TO BENEFIT AN AGENCY FUND

The Foundation received assets from two not-for-profit organizations to establish funds. The Organizations specified themselves as the sole beneficiary of the funds. Accounting standards require that the Foundation account for these transfers of assets as a liability. The Foundation has reported these funds as amounts held to benefit an agency fund on the Statements of Financial Position.

The Foundation maintains variance power and legal ownership of the agency funds, and as such continues to report these funds as assets of the Foundation. In accordance with GAAP, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to these not-for-profit organizations.

The fair market value of the agency funds at December 31, 2016 and 2015 was \$2,380,703 and \$2,255,630, respectively. Financial activity related to these funds for the years ended December 31, 2016 and 2015 are excluded from the Foundation's Statements of Activity. The following summarizes the activity:

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 2,255,630	\$ 2,214,863
Contributions	-	100,000
Net return on investments	137,049	(48,258)
Support of Foundation services	(11,976)	(10,975)
Agency fund balances at December 31	<u>\$ 2,380,703</u>	<u>\$ 2,255,630</u>

NOTE 11 – EMPLOYEE BENEFIT PLAN

401(k) Deferred Compensation Plan: The Foundation sponsors a defined contribution retirement plan covering all employees meeting certain eligibility requirements. The Foundation makes discretionary contributions to the plan based on a percentage of employees' compensation. The contribution for the years ending December 31, 2016 and 2015 was \$5,177 and \$5,186, respectively.

457(b) Deferred Compensation Plan: Effective July 1, 2014, the Foundation adopted a non-qualified deferred 457(b) compensation plan for the prior President/CEO. The plan allows the Foundation to contribute a specified percentage of the prior President/CEO's compensation up to the limitations of the Code Section 457(e)(15). The contributions are held in trust. Gains or losses on amounts held in the trust are fully allocable to the plan participant. As a result, there is no net impact on the Foundation's Statements of Activity resulting from investment gains and losses on assets held in the account, and the liability to the plan participant is fully funded at all times. The assets held for

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Notes to Financial Statements

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deferred compensation and the accrued liability balance for the years ending December 31, 2016 and 2015 totaled \$40,780 and \$17,769, respectively. The Foundation contributed \$20,400 and \$12,600 to the plan for the years ending December 31, 2016 and 2015, respectively.

NOTE 12 – EXPENSE CLASSIFICATION

Below is a functional classification of the Foundation’s expenses for the year ended December 31, 2016 and 2015:

	2016	2015
Grants awarded and programs	\$ 2,501,050	\$ 2,226,934
Support services	83,225	76,745
Fundraising expenses	66,580	61,397
Total grants and operating expenses	<u>\$ 2,650,855</u>	<u>\$ 2,365,076</u>

NOTE 13 – NET ASSETS

Unrestricted net assets consisted of the following fund balances designated by the Board at December 31, 2016 and 2015:

	2016	2015
Founders fund	\$ 129,639	\$ 1,369,414
Donor advised funds	9,202,940	9,392,824
Discretionary grant making fund	1,237,113	980,393
Operating fund	3,063,604	1,072,659
Total unrestricted net assets	<u>\$ 13,633,296</u>	<u>\$ 12,815,290</u>

Temporarily restricted net assets consisted of the following fund balances at December 31, 2016 and 2015:

	2016	2015
Leasehold improvement purchase fund	\$ 19,460	\$ 19,460
Beneficial interest in remainder trust	83,136	110,022
Time-restricted	730,115	691,874
Total temporarily restricted net assets	<u>\$ 832,711</u>	<u>\$ 821,356</u>

Communities of Coastal Georgia Foundation, Inc.

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NOTE 14 – LEASE

In July 2012, the Foundation entered into a lease agreement for office space. The lease term is from September 1, 2012 to August 31, 2017. Future minimum lease payments under the lease are \$7,856 due in the year ending December 31, 2017.

Lease expense totaled \$11,545 and \$11,312 for the years ended December 31, 2016 and 2015, respectively.

NOTE 15 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring after December 31, 2016 through July 26, 2017, which is the date on which the financial statements were available to be issued.

The artwork held for sale was sold in February 2017 for \$475,000. The Foundation incurred selling costs of \$65,000.

No other significant events occurred subsequent to the statement of financial position date but prior to issuance that would have a material impact on the financial statements or disclosures.