

**COMMUNITY FOUNDATION OF
CENTRAL GEORGIA, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

**COMMUNITY FOUNDATION OF
CENTRAL GEORGIA, INC. AND SUBSIDIARIES**

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|-------------------------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Consolidated Statements of Financial Position | 2 |
| Consolidated Statements of Activities | 3 - 4 |
| Consolidated Statements of Functional Expenses | 5 - 6 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to the Consolidated Financial Statements | 8 - 16 |

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CERTIFIED PUBLIC ACCOUNTANTS
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MACON, GEORGIA 31201

October 27, 2017

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Community Foundation of Central Georgia, Inc. and Subsidiaries**

We have audited the accompanying consolidated financial statements of Community Foundation of Central Georgia, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Central Georgia, Inc. and Subsidiaries as of June 30, 2017 and 2016, 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.

Butler, Williams & Wyche, LLP

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

| ASSETS | 2017 | 2016 |
|--|----------------------------------|----------------------------------|
| Cash and cash equivalents | \$ 8,161,191 | \$ 4,304,987 |
| Investments, at market value | 79,403,964 | 75,018,003 |
| Interest and dividends receivable | 56,914 | 82,811 |
| Contributions and pledges receivable, net | 277,210 | 243,500 |
| Notes receivable | 107,848 | 109,686 |
| Prepaid expenses | 19,689 | 19,539 |
| Donated real property, at appraised fair value | 922,000 | 922,000 |
| Office equipment & renovations | 225,429 | 230,906 |
| Accumulated depreciation | (221,390) | (223,832) |
| Collections | 12,000 | 12,000 |
| Assets held in split interest agreements | 26,310,241 | 25,652,640 |
| TOTAL ASSETS | <u>\$ 115,275,096</u> | <u>\$ 106,372,240</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 911 | \$ 1,109 |
| Grants payable | 228,850 | 402,915 |
| Accrued annual leave | 8,302 | 4,707 |
| Agency endowments | 8,940,892 | 8,250,832 |
| Liabilities under split interest agreements | 15,251,348 | 15,786,653 |
| TOTAL LIABILITIES | <u>24,430,303</u> | <u>24,446,216</u> |
| NET ASSETS | | |
| Unrestricted | 79,415,563 | 71,826,666 |
| Temporarily restricted | 11,429,230 | 10,099,358 |
| TOTAL NET ASSETS | <u>90,844,793</u> | <u>81,926,024</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 115,275,096</u> | <u>\$ 106,372,240</u> |

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | |
|--|----------------------|-----------------------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Contributions & pledges | \$ 6,068,166 | \$ 370,058 | \$ 6,438,224 |
| Interest and dividends | 1,914,713 | - | 1,914,713 |
| Net unrealized and realized gain (loss) on marketable securities | 6,529,997 | - | 6,529,997 |
| Special event revenue net of related expenses of \$1,534 and \$2,161 | (669) | - | (669) |
| Administration of funds, grants, and trusts net of related expenses of \$772,284 and \$705,282 | 177,979 | (58,796) | 119,183 |
| Change in value of split interest agreements | - | 1,247,110 | 1,247,110 |
| Net assets released from restrictions: | | | |
| Satisfaction of time restrictions related to split interest agreements | - | - | - |
| Decrease in contributions & pledges receivable due to receipt of assets | 228,500 | (228,500) | - |
| | <u>14,918,686</u> | <u>1,329,872</u> | <u>16,248,558</u> |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | \$ 14,918,686 | \$ 1,329,872 | \$ 16,248,558 |
| EXPENSES | | | |
| Program services: | | | |
| Grants | 5,717,360 | - | 5,717,360 |
| Other | 399,074 | - | 399,074 |
| Supporting services: | | | |
| Management and general | 878,788 | - | 878,788 |
| Fundraising | 334,567 | - | 334,567 |
| | <u>7,329,789</u> | <u>-</u> | <u>7,329,789</u> |
| TOTAL EXPENSES | 7,329,789 | - | 7,329,789 |
| CHANGE IN NET ASSETS | 7,588,897 | 1,329,872 | 8,918,769 |
| NET ASSETS-BEGINNING OF YEAR | <u>71,826,666</u> | <u>10,099,358</u> | <u>81,926,024</u> |
| NET ASSETS-END OF YEAR | <u>\$ 79,415,563</u> | <u>\$ 11,429,230</u> | <u>\$ 90,844,793</u> |

The accompanying notes are an integral part of these statements.

2016

| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|----------------------|-----------------------------------|----------------------|
| \$ 5,033,378 | \$ 738,960 | \$ 5,772,338 |
| 2,273,953 | - | 2,273,953 |
| (2,137,285) | - | (2,137,285) |
| (206) | - | (206) |
| 194,660 | (83,300) | 111,360 |
| - | 41,558 | 41,558 |
| 375,327 | (375,327) | - |
| <u>687,633</u> | <u>(687,633)</u> | <u>-</u> |
| <u>\$ 6,427,460</u> | <u>\$ (365,742)</u> | <u>\$ 6,061,718</u> |
| 4,428,080 | - | 4,428,080 |
| 310,482 | - | 310,482 |
| 819,744 | - | 819,744 |
| <u>275,779</u> | <u>-</u> | <u>275,779</u> |
| <u>5,834,085</u> | <u>-</u> | <u>5,834,085</u> |
| 593,375 | (365,742) | 227,633 |
| <u>71,233,291</u> | <u>10,465,100</u> | <u>81,698,391</u> |
| <u>\$ 71,826,666</u> | <u>\$ 10,099,358</u> | <u>\$ 81,926,024</u> |

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | | | |
|----------------------------|-------------------------|-------------------|---------------------------------------|--------------------|---------------------|
| | Program Services | | Supporting Services | | |
| | Grants | Other | Management and General | Fundraising | Total |
| Business Insurance | \$ - | \$ 557 | \$ 11,806 | \$ 489 | \$ 12,852 |
| Communications | - | 90,905 | - | 58,278 | 149,183 |
| Computer related expenses | - | 11,417 | 11,417 | 8,507 | 31,341 |
| Contract labor | - | 21,600 | - | - | 21,600 |
| Depreciation | - | 1,106 | 1,106 | 823 | 3,035 |
| Development | - | - | - | 35,807 | 35,807 |
| Dues | - | 10,806 | 10,806 | 8,052 | 29,664 |
| Grants | 5,717,360 | - | - | - | 5,717,360 |
| Health insurance | - | 11,022 | 11,022 | 8,212 | 30,256 |
| Investment management fees | - | - | 533,892 | - | 533,892 |
| Legal and professional | - | 15,072 | 15,072 | 11,231 | 41,375 |
| Merchant fees | - | - | - | 1,297 | 1,297 |
| Office supplies | - | 10,068 | 10,068 | 7,502 | 27,638 |
| Payroll taxes | - | 11,703 | 13,570 | 10,259 | 35,532 |
| Postage | - | 1,990 | 1,990 | 1,482 | 5,462 |
| Property taxes | - | - | 4,780 | - | 4,780 |
| Rent | - | 15,712 | 15,712 | 11,707 | 43,131 |
| Repairs and maintenance | - | - | 11,275 | - | 11,275 |
| Retirement plan | - | 13,381 | 15,515 | 11,731 | 40,627 |
| Salaries | - | 169,444 | 196,466 | 148,542 | 514,452 |
| Telephone | - | 4,250 | 4,250 | 3,166 | 11,666 |
| Training and seminars | - | 1,665 | 1,665 | 1,240 | 4,570 |
| Travel | - | 8,376 | 8,376 | 6,242 | 22,994 |
| | <u>\$ 5,717,360</u> | <u>\$ 399,074</u> | <u>\$ 878,788</u> | <u>\$ 334,567</u> | <u>\$ 7,329,789</u> |

The accompanying notes are an integral part of these statements.

2016

| <u>Program Services</u> | | <u>Supporting Services</u> | | |
|-------------------------|-------------------|---------------------------------------|--------------------|---------------------|
| <u>Grants</u> | <u>Other</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| \$ - | \$ 587 | \$ 10,573 | \$ 408 | \$ 11,568 |
| - | 17,620 | - | 59,428 | 77,048 |
| - | 20,018 | 18,156 | 8,379 | 46,553 |
| - | - | - | - | - |
| - | 1,627 | 1,476 | 681 | 3,784 |
| - | - | - | 39,887 | 39,887 |
| - | 11,554 | 10,479 | 4,837 | 26,870 |
| 4,428,080 | - | - | - | 4,428,080 |
| - | 9,937 | 9,012 | 4,160 | 23,109 |
| - | - | 511,717 | - | 511,717 |
| - | 12,789 | 11,600 | 5,354 | 29,743 |
| - | - | - | 948 | 948 |
| - | 7,234 | 6,562 | 3,028 | 16,824 |
| - | 11,450 | 12,234 | 7,975 | 31,659 |
| - | 1,729 | 1,568 | 724 | 4,021 |
| - | - | 1,717 | - | 1,717 |
| - | 18,086 | 16,403 | 7,571 | 42,060 |
| - | - | - | - | - |
| - | 13,245 | 14,151 | 9,225 | 36,621 |
| - | 165,171 | 176,468 | 115,039 | 456,678 |
| - | 3,138 | 2,846 | 1,313 | 7,297 |
| - | 6,030 | 5,470 | 2,524 | 14,024 |
| - | 10,267 | 9,312 | 4,298 | 23,877 |
| <u>\$ 4,428,080</u> | <u>\$ 310,482</u> | <u>\$ 819,744</u> | <u>\$ 275,779</u> | <u>\$ 5,834,085</u> |

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 8,918,769 | \$ 227,633 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 3,035 | 3,784 |
| (Increase) decrease in: | | |
| Prepaid expenses | (150) | 3,257 |
| Contributions receivable | (33,710) | 444,132 |
| Notes receivable | 1,838 | (36,186) |
| Increase (decrease) in: | | |
| Accounts payable | (198) | (4,280) |
| Accrued annual leave | 3,595 | (2,515) |
| Agency endowments | 690,060 | (32,176) |
| Grants payable | (174,065) | 386,415 |
| Marketable securities received as contributions | (2,272,788) | (3,121,159) |
| Net unrealized and realized gains on marketable securities | <u>(6,529,997)</u> | <u>2,137,285</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>606,389</u> | <u>6,190</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in interest and dividends receivable | 25,897 | 23,774 |
| Purchases of marketable securities | (6,238,490) | (10,299,261) |
| Proceeds from sale of marketable securities | 10,655,314 | 10,808,755 |
| (Increase) decrease in assets under split interest agreements | (657,601) | 210,108 |
| Increase (decrease) in liabilities under split interest agreements | <u>(535,305)</u> | <u>(308,994)</u> |
| NET CASH (USED)/PROVIDED BY INVESTING ACTIVITIES | <u>3,249,815</u> | <u>434,382</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | 3,856,204 | 440,572 |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>4,304,987</u> | <u>3,864,415</u> |
| ENDING CASH AND CASH EQUIVALENTS | <u>\$ 8,161,191</u> | <u>\$ 4,304,987</u> |
| SUPPLEMENTAL DISCLOSURE | | |
| Non-cash contributions | \$ 2,272,788 | \$ 3,121,159 |

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The mission of the Community Foundation of Central Georgia, Inc. and Subsidiaries (collectively referred to as the “Foundation”) is to enhance the quality of life for the people of Central Georgia. The Foundation receives gifts and bequests from individuals, families, businesses and organizations. These gifts and bequests make up the funds of the Foundation.

Basis of Presentation

The Foundation’s consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred in accordance with generally accepted accounting principles in the United States of America.

Basis of Consolidation

The consolidated financial statements of the Foundation include the Community Foundation of Central Georgia, Inc. and the three wholly owned subsidiaries of the Foundation: CFCG Holdings, LLC, CFCG Jennifer Drive, LLC, and Dover Hall Tract 100, LLC. These entities have been set up for the purpose of holding real estate contributed to the Foundation. All significant balances and transactions between the entities have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents as reported on the Consolidated Statements of Financial Position consist of cash, money market funds, and U.S. Treasury notes with a maturity of three months or less at the time of purchase.

Investments

Investments in money market funds and marketable securities are reported at their fair market values based upon published quotes. Investments received as contributions are recorded at their fair market value as determined at the time of the gift. Gains and losses on investments for the year are reported in the Consolidated Statements of Activities as part of net unrealized and realized gain (loss) on marketable securities.

Donated Real Property

Donated real property held for sale is stated at fair market value at the date of donation. Fair market values are adjusted periodically if values materially decline. Periodic fair value appraisals are made as deemed necessary based upon economic conditions and management’s discretion to determine whether the value of the real estate is impaired.

Property and Equipment

Office equipment is recorded on the basis of cost. Depreciation is provided using the straight-line method over the estimated useful lives of three to thirty years. Depreciation expense in fiscal year ends ended June 30, 2017 and 2016 was \$3,035 and \$3,784, respectively.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

Works of art, historical treasures and similar assets donated to the Foundation are recorded at their estimated fair market value on the date of the gift. They are not depreciated because their economic benefit is used up so slowly that their estimated useful lives are extraordinarily long.

Public Support and Revenue

Support from contributions is recognized when donations and unconditional promises to give are received by the Foundation. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value using a risk-free interest rate. All non-cash contributions are recognized at their fair market value on the date received. Gifts of cash and other assets are reported as restricted support if they are received with time restrictions such as split interest agreements, contributions receivable, and unconditional promises to give. When the stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The Consolidated Statement of Functional Expenses allocates expenses between two categories or “functions.” These functions are program services, which are grants made in support of the Foundation’s mission and related expenses, and supporting services, which are general, administrative and fundraising expenses. During the year ended June 30, 2017 and 2016, the Foundation made grants totaling \$5,717,360 and \$4,428,080 respectively, for various community needs. Certain costs have been allocated between program services and supporting services based on estimates made by management.

Grants

Grants are recorded as expenses in the year they are approved for payment.

Net Assets

The accompanying financial statements have been prepared in accordance with the Financial Accounting Standards Board (FASB) in Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC 958, the Foundation is required to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into three classes: unrestricted, temporarily restricted, and permanently restricted. ASC 958 provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation’s net assets do not meet the definition of endowment under UPMIFA. While not UPMIFA-defined endowment, reference to “endowment” or “endowed assets” in these notes relate to those intentions of the Foundation.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation is governed subject to its Articles of Incorporation and Bylaws, its adopted investment policy and individual gift agreements. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of its Articles of Incorporation, the Foundation has the ability to distribute all or any part of its net income, principal or property, in accordance with determination made by the Foundation's Board of Directors. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted net assets consist of irrevocable charitable trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Temporarily restricted net assets consist of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Contributions Receivable, net | \$ 277,210 | \$ 243,500 |
| Notes Receivable | 107,848 | - |
| Split Interest Agreements | 11,044,172 | 9,855,858 |
| Total temporarily restricted net assets | <u>\$ 11,429,230</u> | <u>\$ 10,099,358</u> |

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds. These net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of June 30, 2017 or 2016.

Endowment Investment and Spending Policies

Endowment assets are invested pursuant to the Foundation's investment policy. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. The Foundation's investment policy statement establishes a payout rate for distribution.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Due to Other Organizations for Organizational Endowments

In accordance with FASB ASC Topic 958-605, if a not-for-profit organization 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 organizational endowments.

The Foundation maintains variance power and legal ownership of organizational endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with ASC 958-605, a liability has been established for the present value of the future payments expected to be made to the not-for-profit organizations, which is generally equivalent to the fair value of the funds. All financial activity for the years ended June 30, 2017 and 2016 related to these funds is not reflected in the Consolidated Statements of Activities and has been classified as a liability in the Consolidated Statements of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation and its supporting organizations have been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and have been determined not to be private foundations under Section 509(a)(1) of the Code. As such, no provision for income taxes is reflected in the financial statements.

NOTE B – INVESTMENTS

The Foundation's investments are reported at fair value. All other Foundation financial instruments' fair values approximate carrying value. Investments are summarized as follows at June 30:

| | 2017 | | 2016 | |
|--------------------------------|---------------|--------------------------|---------------|--------------------------|
| | Cost | Fair Market Value | Cost | Fair Market Value |
| Stocks, Bonds and Mutual Funds | \$ 69,959,959 | \$ 79,403,964 | \$ 71,593,300 | \$ 75,018,003 |

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE B – INVESTMENTS (CONTINUED)

Fair Value Measurement

The Foundation follows the provisions of fair value measurement and disclosures codified in the *Fair Value Measurements and Disclosures* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820. This Standard is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. FASB ASC 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. Valuation adjustments are not applied to Level I instruments. Since valuations are based on quoted prices that are readily available in an active market, valuation of these products does not entail a significant degree of judgment. Classifications consist of common stocks and mutual funds that are valued at the closing price reported on the active market on which the individual securities are traded.

Level II – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Inputs include quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, or other than quoted prices that are observable for assets. Classifications consist of commingled funds, private placement mutual funds, and limited partnerships where detailed holdings were available and consisted of securities reported on active markets, as well as debt securities valued using inputs of quoted prices for similar assets.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Classifications consist of hedge funds and other securities that do not have a readily determinable market value because detailed holdings were unavailable or the securities are not publicly traded. Fair values are based on information provided by administrators of each underlying fund.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE B – INVESTMENTS (CONTINUED)

The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values for financial instruments measured and recorded at fair value on recurring bases at June 30:

| | 2017 | | | |
|---|----------------------|-----------------|-------------------|----------------------|
| | Level I | Level II | Level III | Total |
| Fixed income | \$ 1,702,234 | \$ - | \$ - | \$ 1,702,234 |
| Equity funds | 20,284,790 | - | - | 20,284,790 |
| Mutual funds | 57,082,888 | - | - | 57,082,888 |
| Closely held stock & partnership interest | - | - | 334,052 | 334,052 |
| Total Investments | \$ 79,069,912 | \$ - | \$ 334,052 | \$ 79,403,964 |

| | 2016 | | | |
|---|----------------------|-----------------|-------------------|----------------------|
| | Level I | Level II | Level III | Total |
| Fixed income | \$ 2,539,779 | \$ - | \$ - | \$ 2,539,779 |
| Equity funds | 22,155,281 | - | - | 22,155,281 |
| Mutual funds | 50,028,083 | - | - | 50,028,083 |
| Closely held stock & partnership interest | - | - | 294,860 | 294,860 |
| Total Investments | \$ 74,723,143 | \$ - | \$ 294,860 | \$ 75,018,003 |

For the years ended June 30, 2016 and 2015, the change in Level III assets and liabilities measured at fair value on a recurring basis:

| | Closely Held Stock & Partnership Interest |
|--|--|
| Balance - July 1, 2015 | \$ 262,329 |
| Change in market value of Level III assets | 32,531 |
| Balance - June 30, 2016 | 294,860 |
| Change in market value of Level III assets | 39,192 |
| Balance - June 30, 2017 | \$ 334,052 |

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE C – CONTRIBUTIONS RECEIVABLE

Unconditional contributions are recorded when the promise to contribute is made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions (including those for acquisition of long-lived assets) that are met within the same year as received are reported as revenues of the unrestricted net asset class.

Unconditional contributions and pledges outstanding are generally due as follows:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 267,210 | \$ 223,500 |
| One to five years | <u>10,000</u> | <u>20,000</u> |
| Contributions receivable, net | <u>\$ 277,210</u> | <u>\$ 243,500</u> |

NOTE D – OPERATING LEASE

During the year ended June 30, 2015, the Foundation entered into a new operating lease for office space. The lease term is for 122 months beginning April 1, 2015. The lease calls for the annual rent to commence on June 1, 2015. The total lease expense for the years ended June 30, 2017 and 2016 was \$43,131 and \$42,060 respectively.

The minimum future lease payments under operating leases at June 30, 2016 are as follows:

| Fiscal Year Ended June 30, | |
|---|-------------------|
| <u>2018</u> | \$ 43,248 |
| 2019 | 43,248 |
| 2020 | 43,373 |
| 2021 | 44,748 |
| 2022 | 44,748 |
| 2023-2025 | <u>130,515</u> |
| Total minimum future lease payments | <u>\$ 349,880</u> |

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE E – SPLIT INTEREST AGREEMENTS

Charitable Remainder Split Interest Agreements

The Foundation serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the Foundation makes specified distributions to designated beneficiaries for a given term or the life of the beneficiaries. Upon the termination of the trust (at the end of the term or upon the death of the beneficiaries), assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in these trusts at their fair value based on current quoted market values and records the liability for the respective agreements at the estimated discounted value of the amounts due to the income beneficiaries based on Internal Revenue Service group annuity tables. The present value of payments to beneficiaries under these agreements is calculated using discount rates representing risk-free rates in existence at the date of the gift. Gains or losses resulting from changes in the value of split interest agreements are recorded in the statement of activities. During the years ended June 30, 2017 and 2016, the Foundation's contribution revenue under the split interest agreements totaled \$0 and \$495,461, respectively.

NOTE F – RETIREMENT PLAN

The Foundation maintains an Internal Revenue Code section 408(K) Simplified Employee Pension plan for its employees. The Foundation's contribution rate is equal to 8% of the annual gross salaries of eligible employees. During the years ended June 30, 2017 and 2016, the Foundation's contribution to the plan totaled \$40,627 and \$36,621, respectively.

NOTE G – DONATED SERVICES

No amounts have been recognized in the financial statements for donated services; however, the Board of Directors and other volunteers have donated significant time to the Foundation's mission.

NOTE H – CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents and marketable securities. Cash and cash equivalents are maintained at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation to specific limits. Deposits may at times exceed federally insured limits and credit exposure is limited to deposits at any one institution in excess of this limit. The Foundation has not experienced any losses on its cash and cash equivalents. Marketable securities do not represent significant concentrations of market risk inasmuch as the Foundation's marketable securities portfolio is diversified among issuers.

NOTE I – NON-CASH TRANSACTIONS

The Foundation received contributions of stock in the amount of \$2,272,788 and \$3,121,159 for the years ended June 30, 2017 and 2016, respectively. These contributions have been treated as non-cash transactions for the purpose of the statement of cash flows.

COMMUNITY FOUNDATION OF CENTRAL GEORGIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE J – TRANSACTIONS IN FUNDS HELD FOR AGENCIES

At June 30, 2017, the Foundation had 50 agency endowment funds. The agency endowments require accounting as funds held for agencies and had a combined value of \$8,940,892. At June 30, 2016, the Foundation had 51 agency endowment funds. The agency endowments require accounting as funds held for agencies and had a combined value of \$8,250,832.

The financial effects of transactions related to agency funds are recorded as changes in the funds held for agencies liability and are not included in the 2017 and 2016 Consolidated Statement of Activities.

The changes in this other liability are summarized as follows:

| | |
|---|----------------------------|
| Funds held for agencies at June 30, 2015 | <u>\$ 8,283,008</u> |
| Additions | |
| Contributions | 895,106 |
| Total additions | <u>895,106</u> |
| Deductions | |
| Distributions - grants | 827,388 |
| Investment results - net of fees | 99,894 |
| Total deductions | <u>927,282</u> |
| Funds held for agencies at June 30, 2016 | <u>8,250,832</u> |
| Additions | |
| Contributions | 440,161 |
| Investment results - net of fees | 868,541 |
| Total additions | <u>1,308,702</u> |
| Deductions | |
| Distributions - grants | 618,642 |
| Total deductions | <u>618,642</u> |
| Funds held for agencies at June 30, 2017 | <u><u>\$ 8,940,892</u></u> |

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2017, the date these financial statements were available to be issued.