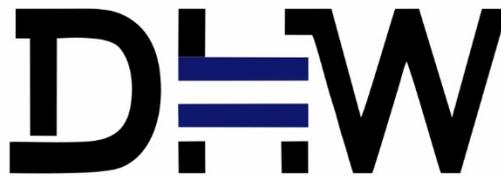


**COMMUNITY FOUNDATION OF BURKE COUNTY**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**December 31, 2019 and 2018**

*(With Independent Auditors' Reports Thereon)*



**Davidson, Holland, Whitesell & Co., PLLC**  
*Certified Public Accountants and Consultants*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

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**December 31, 2019 and 2018**

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## Independent Auditors' Report

The Board of Directors  
Community Foundation of Burke County:

We have audited the accompanying financial statements of Community Foundation of Burke County (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 Community Foundation of Burke County as of December 31, 2019 and 2018, 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.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of gifts for charitable purposes is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Davidson, Holland, Whitesell & Co., PLLC*

Hickory, North Carolina  
April 6, 2020

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statement of Financial Position**

**December 31, 2019**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 490,089	115,507	605,596
Short-term investments	-	2,000	2,000
Promises to give	4,461	458	4,919
Other receivables	838	-	838
Prepaid expenses	9,322	-	9,322
Land held for sale	-	25,500	25,500
Total current assets	<u>504,710</u>	<u>143,465</u>	<u>648,175</u>
Investments	475,580	22,846,371	23,321,951
Cash surrender value of life insurance	-	23,558	23,558
Total assets	<u>\$ 980,290</u>	<u>23,013,394</u>	<u>23,993,684</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 7,484	-	7,484
Grants payable	36,000	21,225	57,225
Total current liabilities	<u>43,484</u>	<u>21,225</u>	<u>64,709</u>
Net assets:			
Without donor restrictions:			
Discretionary	112,681	-	112,681
Board designated	474,940	-	474,940
Donor advised	349,185	-	349,185
Total without donor restrictions	<u>936,806</u>	<u>-</u>	<u>936,806</u>
With donor restrictions	-	22,782,169	22,782,169
With donor restrictions - perpetual endowment	-	210,000	210,000
Total net assets	<u>936,806</u>	<u>22,992,169</u>	<u>23,928,975</u>
Total liabilities and net assets	<u>\$ 980,290</u>	<u>23,013,394</u>	<u>23,993,684</u>

*See accompanying notes to financial statements.*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statement of Financial Position**

**December 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 429,245	56,762	486,007
Short-term investments	-	2,000	2,000
Promises to give	3,917	410	4,327
Other receivables	1,099	-	1,099
Prepaid expenses	6,605	-	6,605
Land held for sale	-	25,500	25,500
Total current assets	<u>440,866</u>	<u>84,672</u>	<u>525,538</u>
Investments	369,485	19,125,625	19,495,110
Cash surrender value of life insurance	-	23,610	23,610
Total assets	<u>\$ 810,351</u>	<u>19,233,907</u>	<u>20,044,258</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 5,325	-	5,325
Grants payable	500	3,500	4,000
Total current liabilities	<u>5,825</u>	<u>3,500</u>	<u>9,325</u>
Net assets:			
Without donor restrictions:			
Discretionary	180,208	-	180,208
Board designated	369,129	-	369,129
Donor advised	255,189	-	255,189
Total without donor restrictions	<u>804,526</u>	<u>-</u>	<u>804,526</u>
With donor restrictions	-	19,070,407	19,070,407
With donor restrictions - perpetual endowment	-	160,000	160,000
Total net assets	<u>804,526</u>	<u>19,230,407</u>	<u>20,034,933</u>
Total liabilities and net assets	<u>\$ 810,351</u>	<u>19,233,907</u>	<u>20,044,258</u>

*See accompanying notes to financial statements.*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statement of Activities**

**Year Ended December 31, 2019**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Revenues and other support:			
Contributions	\$ 540,041	838,710	1,378,751
Investment income (loss)	(67,168)	595,034	527,866
Net realized and unrealized gains on investments	72,113	3,592,528	3,664,641
Change in cash surrender value of life insurance	-	(52)	(52)
In-kind contributions	12,696	-	12,696
Other	238	447	685
Net assets released from restrictions	<u>1,264,905</u>	<u>(1,264,905)</u>	<u>-</u>
Total revenues and other support	<u>1,822,825</u>	<u>3,761,762</u>	<u>5,584,587</u>
Expenses:			
Program services	1,569,030	-	1,569,030
Management and general	121,150	-	121,150
Pledge cancellations	365	-	365
Total expenses	<u>1,690,545</u>	<u>-</u>	<u>1,690,545</u>
Increase in net assets	132,280	3,761,762	3,894,042
Net assets at beginning of year	804,526	19,230,407	20,034,933
Net assets at end of year	<u>\$ 936,806</u>	<u>22,992,169</u>	<u>23,928,975</u>

*See accompanying notes to financial statements.*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statement of Activities**

**Year Ended December 31, 2018**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Revenues and other support:			
Contributions	\$ 300,259	953,271	1,253,530
Investment income (loss)	(69,147)	572,845	503,698
Net realized and unrealized losses on investments	(40,471)	(2,057,317)	(2,097,788)
Change in cash surrender value of life insurance	-	(6)	(6)
In-kind contributions	15,269	-	15,269
Other	31	539	570
Net assets released from restrictions	952,958	(952,958)	-
Total revenues and other support	<u>1,158,899</u>	<u>(1,483,626)</u>	<u>(324,727)</u>
Expenses:			
Program services	1,043,202	-	1,043,202
Management and general	105,262	-	105,262
Pledge cancellations	487	-	487
Total expenses	<u>1,148,951</u>	<u>-</u>	<u>1,148,951</u>
Increase (decrease) in net assets	9,948	(1,483,626)	(1,473,678)
Net assets at beginning of year	794,578	20,714,033	21,508,611
Net assets at end of year	<u>\$ 804,526</u>	<u>19,230,407</u>	<u>20,034,933</u>

*See accompanying notes to financial statements.*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statement of Functional Expenses**

**Year Ended December 31, 2019**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total</u></b>
Salaries	\$ 131,226	56,240	187,466
Payroll taxes	9,935	4,258	14,193
Employee benefits	8,808	3,775	12,583
Total salaries and related expenses	<u>149,969</u>	<u>64,273</u>	<u>214,242</u>
Gifts for charitable purposes	1,378,361	-	1,378,361
Rent	-	14,762	14,762
Advertising	-	5,780	5,780
Office expense	34,545	-	34,545
Insurance	-	3,551	3,551
Postage	-	2,289	2,289
Telephone	2,172	931	3,103
Professional services	-	15,500	15,500
Travel and training	585	-	585
Printing and publications	2,651	1,136	3,787
Dues and subscriptions	-	8,234	8,234
Pledge cancellations	365	-	365
Other	747	4,694	5,441
Total expenses	<u>\$ 1,569,395</u>	<u>121,150</u>	<u>1,690,545</u>

*See accompanying notes to financial statements.*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statement of Functional Expenses**

**Year Ended December 31, 2018**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total</u></b>
Salaries	\$ 106,861	45,798	152,659
Payroll taxes	8,105	3,473	11,578
Employee benefits	6,849	2,935	9,784
Total salaries and related expenses	<u>121,815</u>	<u>52,206</u>	<u>174,021</u>
Gifts for charitable purposes	889,912	-	889,912
Rent	-	15,269	15,269
Advertising	-	5,789	5,789
Office expense	24,432	-	24,432
Insurance	-	2,668	2,668
Postage	-	1,931	1,931
Telephone	2,196	941	3,137
Professional services	-	15,500	15,500
Travel and training	918	-	918
Printing and publications	3,140	1,346	4,486
Dues and subscriptions	-	6,235	6,235
Pledge cancellations	487	-	487
Other	789	3,377	4,166
Total expenses	<u>\$ 1,043,689</u>	<u>105,262</u>	<u>1,148,951</u>

*See accompanying notes to consolidated financial statements.*

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Statements of Cash Flows**

**Years Ended December 31, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Cash flows from operating activities:		
Change in net assets	\$ 3,894,042	(1,473,678)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments	(3,664,641)	2,097,788
Change in cash surrender value of life insurance	52	6
Receipt of donated stock	(706,450)	(530,075)
Provision for pledge cancellations	365	487
Restricted contributions	(838,710)	(953,271)
(Increase) decrease in:		
Promises to give	(957)	(3,354)
Other receivables	261	1,377
Prepaid expenses	(2,717)	(1,451)
Increase (decrease) in:		
Accounts payable	2,159	(7,261)
Grants payable	53,225	(58,750)
Net cash used by operating activities	<u>(1,263,371)</u>	<u>(928,182)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,357,921	2,927,593
Purchase of investments	(2,813,671)	(3,209,209)
Sale of donated annuity	-	38,417
Net cash provided (used) by investing activities	<u>544,250</u>	<u>(243,199)</u>
Cash flows from financing activities:		
Contributions with donor restriction	838,710	953,271
Net increase (decrease) in cash and cash equivalents	<u>119,589</u>	<u>(218,110)</u>
Cash and cash equivalents at beginning of year	486,007	704,117
Cash and cash equivalents at end of year	<u>\$ 605,596</u>	<u>486,007</u>

*See accompanying notes to financial statements.*

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements

December 31, 2019 and 2018

### (1) Operations and Summary of Significant Accounting Policies

#### (a) Organization and Nature of Operations

The Community Foundation of Burke County (the "Foundation") is a permanent foundation. The Foundation receives gifts, grants, and bequests for the purpose of making charitable donations to approved organizations (as defined in its articles of incorporation and determined by the Board of Directors) and generally to perform all acts which may be deemed necessary or expedient to develop charitable capital for Burke County, North Carolina. Revenues from the operations of the Foundation are concentrated to contributions from Burke County, North Carolina.

#### (b) Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### (c) Financial Statement Presentation

The Foundation reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Net Assets Without Donor Restriction:** Net assets without donor restriction represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

**Net Assets With Donor Restriction:** Net assets with donor restriction represent resources whose use is limited by donors for the purpose and/or time in which they may be expended, and resources that must be maintained in perpetuity. Eventually, net assets with donor restriction, other than those that must be maintained in perpetuity, are released to net assets without donor restriction as their time and purpose requirements are met. Net assets with donor restriction that must be maintained in perpetuity do not get reclassified since, by definition, their restrictions never expire. The income may be unrestricted or restricted, according to the donor's wishes.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (c) Financial Statement Presentation, Continued

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor restricted and board designated endowment funds) and whether or not the organization is subject to UPMIFA.

The State of North Carolina enacted UPMIFA effective March 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Foundation adopted FASB ASC 958-205 during the year ended December 31, 2009. The Board of Directors has determined that the majority of the Foundation's net assets with donor restriction attributable to the perpetual endowment meet the definition of endowment funds under UPMIFA.

#### (d) Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions, other than those that must be maintained in perpetuity, are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### (e) Variance Power

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or are inconsistent with the charitable needs of the community.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (f) Cash and Equivalents

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

#### (g) Receivables

Receivables consist of amounts due from gifts in transit and sales tax refunds. An allowance for doubtful accounts has not been established, as management believes all amounts are collectible.

#### (h) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promises are received. As of December 31, 2019, no discount has been recorded, as the effect would be immaterial to the financial statements. An allowance for uncollectible promises to give has not been recorded as it is management's estimate that all promises to give will be collected.

#### (i) Short-term Investments

Short-term investments consist of donated securities expected to be sold within one year.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (j) Investments

Investments in money market funds and marketable securities are carried at fair value based on published quotations. Gains and losses on securities are reflected in the statement of activities. Contributed investments received that do not have readily determinable fair market values generally consist of closely held stock and property. Such investments are recorded at their appraised value at the date received, and no changes in carrying value are reflected in the financial statements for subsequent temporary increases or decreases in value.

Gains and losses from the sale or disposition of investments are accounted for within net assets without donor restrictions, or as net assets with donor restrictions if so stipulated by the donor of such assets. Unrealized appreciation (depreciation) from certain investments in securities and ordinary income earned from investments and similar sources is accounted for in the same manner as realized gains and losses.

The Foundation maintains investment pools for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the investment pools are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the investment pool, as adjusted for additions to or deductions from those accounts.

#### (k) Property and Equipment

The Foundation capitalizes all assets with a cost of \$500 or more and books the assets at cost. Property and equipment are depreciated using the straight-line method. The estimated lives of the assets range from three to ten years.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (l) Donated Goods and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. The use of the facilities for the Foundation offices was donated through May 2019. Donated rent was \$6,362 and \$15,269 for the years ended December 31, 2019 and 2018, respectively. Donated furniture received by the Foundation during the year ended December 31, 2019, amounted to \$6,334.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer committees, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

#### (m) Grants

Unconditional grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Grants that are subject to conditions are recorded when approved by the Board of Directors and paid when the conditions are substantially met.

#### (n) Administrative Charges

The Foundation retains as compensation for its services a charge against the various accounts. Generally the fee is 1% of the principal market value of the account charged on a quarterly basis of (1/4) of the 1% of the fund balance computed on the previous quarter-end fund balance. For the years ended December 31, 2019 and 2018, administrative charges were \$207,520 and \$208,338, respectively.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (o) Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for Federal or state income taxes has been made in the accompanying financial statements. The Foundation is classified as a publicly-supported charity.

The Foundation has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board ("FASB") ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019 and 2018, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and recognized no such interest or penalties during the years ended December 31, 2019 and 2018.

#### (p) Fair Value Measurements

The Foundation records its investments under the provisions of accounting principles generally accepted in the United States of America. In accordance with those standards, the Foundation has characterized its investments in securities, based on the priority of the inputs used to value the investments, 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 investments 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 investment.

Investments recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access. These investments are exchange-traded investments in marketable equity securities and fixed income mutual funds.

Level 2 - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (p) Fair Value Measurements, Continued

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair value of substantially all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

#### (q) Accounting 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 and disclosure of contingent liabilities at the date of financial statements and revenue and expenses during the periods reported. Estimates are used when accounting for allowance for uncollectable accounts receivable, depreciation and contingencies, among others. Actual results could differ from these estimates.

#### (r) Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense was \$5,780 and \$5,789 for the years ended December 31, 2019 and 2018, respectively.

#### (s) Functional Classification of Expenses

The Foundation allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means. Fundraising expenses for the years ended December 31, 2019 and 2018, in the amount of \$53,292 and \$52,477, respectively, are included in management and general expenses in the accompanying statements of functional expenses.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (1) Operations and Summary of Significant Accounting Policies, Continued

#### (t) Subsequent Events

The Foundation has evaluated subsequent events through April 6, 2020, the date which the financial statements were available to be issued. There were no significant subsequent events identified which require disclosure in the financial statements or footnotes.

### (2) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-9, *Revenue from Contracts with Customers*. The Foundation adopted the requirements of the new standard effective January 1, 2019. Management has analyzed the provisions of the new standard and has concluded that no changes are necessary to conform with the new standard. The Company’s revenue is recognized at a single point in time when contributions are received.

### (3) Restrictions on Assets

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Promises to give, endowed	\$ 458	410
Endowments	22,750,515	19,043,851
Other non-endowed	31,196	26,146
Perpetual endowment	210,000	160,000
	<u>22,992,169</u>	<u>19,230,407</u>

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Notes to Financial Statements, Continued**

**(4) Promises to Give**

Promises to give are expected to be received in 2020.

**(5) Investments**

The Foundation holds investments consisting of Level 1 instruments at December 31, 2019 and 2018, as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 416,172	416,172	485,836	485,836
Equity securities	1,541,138	2,729,236	1,472,256	2,266,751
Mutual funds - fixed income	1,848,680	1,892,877	1,459,680	1,419,024
Mutual funds - equity	7,588,083	9,208,530	8,249,945	8,539,953
Exchange traded funds	7,352,938	8,939,797	6,242,404	6,521,481
Real estate investment trusts	115,429	135,339	115,429	113,611
Treasury notes	-	-	148,172	148,454
Short-term investments	2,000	2,000	2,000	2,000
	<u>\$ 18,864,440</u>	<u>23,323,951</u>	<u>18,175,722</u>	<u>19,497,110</u>

The following tabulation summarizes the changes in unrealized appreciation (depreciation) of investments and the realized gains on investment transactions for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 1,321,388	3,853,992
End of year	<u>4,459,511</u>	<u>1,321,388</u>
Unrealized gains (losses) in market valuation	3,138,123	(2,532,604)
Realized gains on sale of investments	<u>526,518</u>	<u>434,816</u>
Net realized and unrealized gains (losses) on investments	<u>\$ 3,664,641</u>	<u>(2,097,788)</u>

Investment management fees netted against investment income for the years ended December 31, 2019 and 2018, were \$79,941 and \$80,347, respectively.

# COMMUNITY FOUNDATION OF BURKE COUNTY

## Notes to Financial Statements, Continued

### (6) Endowment Funds

The Foundation's endowments consist of 115 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted North Carolina UPMIFA as permitting the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to the perpetual endowment (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions to the perpetual endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

#### Investment Return, Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a real rate of return on investments, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, as determined by the Foundation's Investment Committee. The Foundation allocates all spendable income generated from the endowment investments to the funds.

## COMMUNITY FOUNDATION OF BURKE COUNTY

### Notes to Financial Statements, Continued

#### (6) Endowment Funds, Continued

The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually to cover the 4.5% annual distribution amount, 1% administrative fee, and the approximate rate of inflation of 2.5%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets, and allocation between asset classes. The Foundation exercises due care to diversify invested fund assets through its strategies to achieve the stated objectives for the Foundation in accordance with the asset allocation policy.

#### Spending Policy

The Foundation has a policy of appropriating for distribution all spendable income generated from the endowment investments based on the net value of the funds. The net value is determined by averaging the previous twelve quarters' ending values. If the fund has not existed twelve quarters, the net value will be the average of the ending quarter values since its inception. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an amount in excess of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The current Board has approved a spending rate of 4.5%. The spending policy is subject to the discretion of the Board, and can be changed at any time in order to meet the needs of the Foundation.

From time to time, the donor-restricted portion of the endowment may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law.

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Notes to Financial Statements, Continued**

**(6) Endowment Funds, Continued**

Endowment net asset composition by type of fund at December 31, 2019 and 2018, is as follows:

<b>2019</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	22,750,973	22,750,973
Donor-restricted endowment funds - perpetual endowment	-	210,000	210,000
Board designated endowment funds	474,940	-	474,940
	<u>\$ 474,940</u>	<u>22,960,973</u>	<u>23,435,913</u>
<b>2018</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	19,044,261	19,044,261
Donor-restricted endowment funds - perpetual endowment	-	160,000	160,000
Board designated endowment funds	369,129	-	369,129
	<u>\$ 369,129</u>	<u>19,204,261</u>	<u>19,573,390</u>

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Notes to Financial Statements, Continued**

**(6) Endowment Funds, Continued**

Changes in endowment net assets for the years ended December 31, 2019 and 2018, are as follows:

<b>2019</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
	<b>Restrictions</b>	<b>Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 369,129	19,204,261	19,573,390
Contributions	-	800,110	800,110
Contributions - perpetual endowment	-	50,000	50,000
Investment income, net	30,874	212,638	243,512
Distributions	-	(895,688)	(895,688)
Net appreciation	74,937	3,589,652	3,664,589
Endowment net assets, end of year	\$ 474,940	22,960,973	23,435,913
<b>2018</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 249,208	20,690,930	20,940,138
Contributions	-	914,636	914,636
Contributions - perpetual endowment	-	30,000	30,000
Investment income, net	159,809	157,515	317,324
Distributions	-	(530,914)	(530,914)
Net depreciation	(39,888)	(2,057,906)	(2,097,794)
Endowment net assets, end of year	\$ 369,129	19,204,261	19,573,390

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Notes to Financial Statements, Continued**

**(7) Property and Equipment**

A description of property and equipment at December 31, 2019 and 2018, is as follows:

Furniture and fixtures	\$	11,267
Office equipment		10,476
		<u>21,743</u>
Less accumulated depreciation		21,743
	\$	<u><u>-</u></u>

**(8) Operating Leases**

The Foundation leases office space under an operating lease agreement which expires May 31, 2020. Expenses under this lease were \$8,400 for the year ended December 31, 2019. Future minimum rentals for the year ending December 31, 2020, are \$6,000.

**(9) Land Held for Sale and Investment**

The Foundation received donated land in 2013, which was recorded at the appraised value at the time of gift in the amount of \$25,500. The land was held for sale at December 31, 2019 and 2018.

**(10) Cash Surrender Value of Life Insurance**

Cash surrender value of life insurance represents the cash value of a contributed life insurance policy. The Foundation records the change in value on an annual basis. The cash surrender value of life insurance at December 31, 2019 and 2018, was \$23,558 and \$23,610, respectively.

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Notes to Financial Statements, Continued**

**(11) Liquidity**

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Financial assets, at end of year:	
Cash and cash equivalents	\$ 605,596
Investments	23,323,951
Promises to give	4,919
Other receivables	838
	<hr/>
	23,935,304
Less those unavailable for general expenditure within one year, due to:	
Donor restrictions as to time or purpose	(22,992,169)
Board designated restrictions	(474,940)
	<hr/>
	\$ 468,195
	<hr/> <hr/>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. In addition, the Foundation has endowment assets that may be appropriated for expenditure by the Foundation in accordance with the standard of prudence by the North Carolina UPMIFA (see note 6), although the Foundation does not intend to spend from its endowment other than amounts appropriated for general expenditure.

**(12) Summary of Disclosure of Significant Contingencies**

Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees and volunteers, and natural disasters. The Foundation carries commercial insurance for risks of loss. Claims have not exceeded coverage in any period since inception.

***SUPPLEMENTARY INFORMATION***

**COMMUNITY FOUNDATION OF BURKE COUNTY**

**Schedule of Gifts for Charitable Purposes**

**Year Ended December 31, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Advancing the arts and humanities	\$ 93,808	42,909
Improving human services	365,462	297,023
Enhancing our environment	61,305	38,776
Improving educational opportunities	232,793	155,672
Promoting access to quality health care	292,860	102,972
Religion	307,568	208,488
Building the community and economic vitality	24,565	44,072
Total	\$ <u><u>1,378,361</u></u>	<u><u>889,912</u></u>