

Montgomery County Community Foundation
Financial Statements
For the Year Ended December 31, 2018

CONTENTS

	Page
Independent Accountants' Review Report	1
Statement of Assets, Liabilities, and Net Assets – Income Tax Basis	3
Statement of Revenues, Expenses, and Other Changes in Net Assets – Income Tax Basis	4
Statement of Functional Expenses – Income Tax Basis	5
Notes to Financial Statements.....	6



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Montgomery County Community Foundation
The Woodlands, Texas

We have reviewed the accompanying financial statements of Montgomery County Community Foundation (a nonprofit organization) (the "Foundation"), which comprise the statement of assets, liabilities, and net assets – income tax basis as of December 31, 2018, the related statement of revenues, expenses, and other changes in net assets – income tax basis, and the statement of functional expenses – income tax basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting Montgomery County Community Foundation uses for income tax purposes; this includes determining that the basis of accounting Montgomery County Community Foundation uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting Montgomery County Community Foundation uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the Foundation uses for income tax purposes.

To the Board of Directors of
Montgomery County Community Foundation
Re: Independent Accountants' Review Report

Basis of Accounting

We draw attention to *Note 1* of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting Montgomery County Community Foundation uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



Briggs & Veselka Co.
The Woodlands, Texas

April 23, 2019

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – INCOME TAX BASIS
DECEMBER 31, 2018

ASSETS	
Cash and cash equivalents	\$ 957,029
Investments	6,830,230
Other assets	2,000
Fixed assets, net	<u>2,551</u>
TOTAL ASSETS	<u>\$ 7,791,810</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Funds held as agency endowments	\$ 128,400
Net assets	
Without donor restrictions	
Undesignated	347,059
Designated	<u>255,705</u>
Total without donor restrictions	602,764
With donor restrictions	<u>7,060,646</u>
Total net assets	<u>7,663,410</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,791,810</u>

See accompanying notes and independent accountants' review report.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS –
INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	\$ 23,173	\$ 387,590	\$ 410,763
Special events	227,035	-	227,035
Investment return, net	119,191	295,496	414,687
Net assets released from restrictions	<u>204,440</u>	<u>(204,440)</u>	<u>-</u>
Total revenues, gains, and other support	573,839	478,646	1,052,485
Expenses			
Program services	204,440	-	204,440
Supporting services			
Management and general	179,696	-	179,696
Fundraising	<u>41,444</u>	<u>-</u>	<u>41,444</u>
Total expenses	<u>425,580</u>	<u>-</u>	<u>425,580</u>
Change in net assets	148,259	478,646	626,905
Net assets, beginning of year, as previously reported	518,990	6,582,000	7,100,990
Prior period adjustment (see <i>Note 2</i>)	<u>(64,485)</u>	<u>-</u>	<u>(64,485)</u>
Net assets, beginning of year, as restated	<u>454,505</u>	<u>6,582,000</u>	<u>7,036,505</u>
NET ASSETS, END OF YEAR	<u>\$ 602,764</u>	<u>\$ 7,060,646</u>	<u>\$ 7,663,410</u>

See accompanying notes and independent accountants' review report.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES – INCOME TAX BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and benefits	\$ -	\$ 109,734	\$ -	\$ 109,734
Payroll taxes	-	8,264	-	8,264
Accounting	-	10,752	-	10,752
Advertising	-	5,310	-	5,310
Bank fees	-	73	-	73
Credit card fees	-	227	-	227
Depreciation	-	74	-	74
Dues and subscriptions	-	3,465	-	3,465
Grants to individuals	12,100	-	-	12,100
Grants to organizations	192,340	-	-	192,340
Insurance	-	1,738	-	1,738
Information technology	-	1,208	-	1,208
Meetings and conferences	-	1,793	-	1,793
Occupancy	-	19,500	-	19,500
Office	-	2,424	-	2,424
Printing	-	224	-	224
Professional fees	-	13,346	-	13,346
Special events	-	-	41,444	41,444
Travel	-	929	-	929
Other	-	635	-	635
Totals	<u>\$ 204,440</u>	<u>\$ 179,696</u>	<u>\$ 41,444</u>	<u>\$ 425,580</u>

See accompanying notes and independent accountants' review report.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Montgomery County Community Foundation (the “Foundation”) is a Texas nonprofit foundation which administers individual funds contributed or bequeathed to it by individuals, corporations, foundations, and other sources. A significant portion of these funds are held in a permanent fund used to enrich and enhance the quality of life in Montgomery County in perpetuity. The ultimate goal of the Foundation is to match community resources with community needs.

Basis of Accounting – The accompanying financial statements have been prepared on the cash basis of accounting used by the Foundation for federal income tax purposes. That basis differs from accounting principles generally accepted in the United States of America primarily because revenues are recognized when received and expenses are recorded when paid. Additionally, generally accepted accounting standards require qualitative and quantitative financial statement disclosures regarding an organization’s liquidity and availability of resources. This information is not disclosed in the financial statements.

Basis of Presentation – The Foundation reports information regarding its net assets and changes in net assets according to the following classifications of net assets:

- **Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.
- **Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of revenues, expenses, and other changes in net assets – income tax basis.

Cash and Cash Equivalents – The Foundation defines its cash and cash equivalents as cash on hand, demand deposits, and investments with original maturities of three months or less.

Investments – Investments are recorded at cost. The realized investment return (loss) of investments during the year is recorded as investment return, net in net assets without restrictions in the statement of revenues, expenses, and other changes in net assets – income tax basis unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase (decrease) in net assets with restrictions.

Fixed Assets – The Foundation has a policy to capitalize an asset at cost that has more than one year of life. The asset will be depreciated over its estimated useful life.

Contributions – Contributions received are recorded as support with or without restrictions depending on the existence and/or nature of any donor restrictions. Net assets with restrictions are reclassified to net assets without restrictions upon satisfaction of the time or purpose restrictions.

The Foundation reports restricted contributions whose restrictions are met in the same reporting period as support without restrictions.

Noncash contributions intended for conversion to cash are recorded at fair market value at the date of contribution.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Functional Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses – income tax basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expense – Advertising is used to promote the Foundation to donors among the community it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2018 was \$5,310.

Federal Income Tax – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

Use of Estimates – The preparation of the financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of previously reported investment income were discovered in 2018. Accordingly an adjustment of \$64,485 was made to properly record the related decrease in net assets without donor restrictions.

NOTE 3 – CONCENTRATION OF CREDIT RISKS

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Also, the Foundation maintains an account with a brokerage firm which contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation. The accounts held at the brokerage firm also maintain additional insurance through third-parties. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 4 – FIXED ASSETS

Fixed assets consist of the following at December 31, 2018:

Office equipment	\$ 5,173
Less: accumulated depreciation	<u>(2,622)</u>
Total fixed assets, net	<u>\$ 2,551</u>

Depreciation expense for 2018 amounted to \$74.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – INVESTMENTS

Investments are comprised of the following at December 31, 2018:

Fixed income bonds	\$ 3,014,821
Equity funds	2,841,177
Exchange traded fund	774,178
Certificates of deposit	<u>200,054</u>
Total	<u>\$ 6,830,230</u>

The following summarizes the investment return in the statement of revenues, expenses, and other changes in net assets – income tax basis for 2018:

Dividend, interest, and capital gain distributions	\$ 339,081
Net realized gains	<u>75,606</u>
Total investment return, net	<u>\$ 414,687</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of assets, liabilities, and net assets – income tax basis and the statement of revenues, expenses, and other changes in net assets – income tax basis.

NOTE 6 – FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation receives funds from individuals, corporations, foundations, and other sources. Not-for-profit organizations wishing to create a fund for their benefit or program can create an agency endowment fund. At the time the initial gift is made, the not-for-profit organization designates itself to receive the fund's distributions. Distributions are paid to the designated organization or program as long as it is in existence. In the event the designated organization ceases to exist, becomes obsolete, or is unable to perform its charitable purposes, monies from the funds can be redirected to an organization which, in the opinion of the Board of Directors of the Foundation, best perpetuates the original intent. Funds held as agency endowments are comprised of the following funds as of December 31, 2018:

Crighton Theatre Fund	\$ 76,179
Gebert Interfaith Fund	<u>52,221</u>
Total	<u>\$ 128,400</u>

During 2018, amounts held in the Performing Arts Fund were reallocated to Board Designated funds, as the Agency for which the funds were intended had dissolved.

NOTE 7 – ENDOWMENTS

Net assets with donor restrictions to be held in perpetuity at December 31, 2018 consist of an endowment established by donor designated funds. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be distributed to the charity or charities according to their wishes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions to be held in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent 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 in net assets with restrictions to be held in perpetuity is classified as net assets with restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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.

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide the designated charities or areas of interest with current income. Endowment assets are invested into separately managed accounts, mutual funds, or individual securities, if appropriate. The Foundation seeks to build endowment assets through additional contributions and designations. This is consistent with the Foundation's objectives to provide income to the designated charities or areas of interest, preserve endowment assets without subjecting them to substantial risk, and provide financial resources to the community.

Composition of endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 255,705	\$ -	\$ 255,705
Donor-restricted endowment funds	<u>-</u>	<u>7,060,646</u>	<u>7,060,646</u>
Totals	<u>\$ 255,705</u>	<u>\$ 7,060,646</u>	<u>\$ 7,316,351</u>

Changes in endowment net assets for 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ 225,744	\$ 6,582,000	\$ 6,807,744
Donor contributions	-	387,590	387,590
Release of funds held as agency endowments	20,153	-	20,153
Investment return	9,808	295,496	305,304
Grant distributions	<u>-</u>	<u>(204,440)</u>	<u>(204,440)</u>
Endowment net assets, December 31, 2018	<u>\$ 255,705</u>	<u>\$ 7,060,646</u>	<u>\$ 7,316,351</u>

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – CHARITIES

The Foundation makes payments to various community organizations working in Montgomery County in support of their programs and needs. These payments are made from funds without restrictions after any funds with restrictions are released and reclassified. Therefore, the amount paid to charities comprises payments from funds without restrictions and is included in grants to individuals and grants to organizations on the statement of functional expenses – income tax basis.

The schedule below presents a reconciliation of total charity payments for 2018:

Foundation payments – charities	\$ 192,340
Agency Fund payment – Crighton Theater Fund	<u>2,200</u>
Total payments – charities	<u>\$ 194,540</u>

NOTE 9 – OPERATING LEASE

The Foundation leases an office space for administrative services under the terms of a noncancelable operating lease. The lease was renewed effective August 1, 2018 for 12 months, expiring on July 31, 2019. Monthly rent expense under the terms of this new lease is \$1,550. Rent expense for the office space totaled \$19,500 for 2018.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2019, the date the financial statements were available to be issued.