

Montgomery County Community Foundation
Financial Statements
For the Year Ended December 31, 2020

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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), which comprise the statement of assets, liabilities, and net assets – income tax basis as of December 31, 2020, the related statements of revenues, expenses, and other changes in net assets – income tax basis and 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.

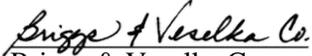
Accountants' Conclusion

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 Montgomery County Community 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 13, 2021

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – INCOME TAX BASIS
DECEMBER 31, 2020

ASSETS	
Cash and cash equivalents	\$ 822,819
Investments	8,142,352
Other assets	500
Fixed assets, net	<u>2,403</u>
TOTAL ASSETS	<u>\$ 8,968,074</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Funds held as agency endowments	\$ 140,522
Total liabilities	<u>140,522</u>
Net assets	
Without donor restrictions	
Undesignated	307,659
Designated	<u>287,862</u>
Total without donor restrictions	595,521
With donor restrictions	<u>8,232,031</u>
Total net assets	<u>8,827,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,968,074</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	\$ 155	\$ 813,024	\$ 813,179
Contribution – grant revenue	-	22,700	22,700
Special events	161,267	-	161,267
Investment return, net	25,974	476,741	502,715
Net assets released from restrictions	<u>295,476</u>	<u>(295,476)</u>	<u>-</u>
Total revenues, gains, and other support	482,872	1,016,989	1,499,861
Expenses			
Program services	272,776	-	272,776
Supporting services			
Management and general	205,547	-	205,547
Fundraising	<u>44,385</u>	<u>-</u>	<u>44,385</u>
Total expenses	<u>522,708</u>	<u>-</u>	<u>522,708</u>
Change in net assets	(39,836)	1,016,989	977,153
Net assets, beginning of year	<u>635,357</u>	<u>7,215,042</u>	<u>7,850,399</u>
NET ASSETS, END OF YEAR	<u><u>\$ 595,521</u></u>	<u><u>\$ 8,232,031</u></u>	<u><u>\$ 8,827,552</u></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, 2020

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and benefits	\$ -	\$ 126,404	\$ -	\$ 126,404
Payroll taxes	-	6,935	-	6,935
Accounting	-	12,950	-	12,950
Advertising	-	1,635	-	1,635
Bank fees	-	387	-	387
Credit card fees	-	151	-	151
Depreciation	-	74	-	74
Dues and subscriptions	-	3,165	-	3,165
Grants to individuals	89,616	-	-	89,616
Grants to nonprofit organizations	183,160	-	-	183,160
Insurance	-	1,687	-	1,687
Information technology	-	5,932	-	5,932
Investment management fee	-	15,381	-	15,381
Meetings and conferences	-	1,398	-	1,398
Occupancy	-	17,856	-	17,856
Office	-	3,077	-	3,077
Printing	-	3,681	-	3,681
Professional fees	-	3,802	-	3,802
Special events	-	-	44,385	44,385
Travel	-	901	-	901
Other	-	131	-	131
Totals	<u>\$ 272,776</u>	<u>\$ 205,547</u>	<u>\$ 44,385</u>	<u>\$ 522,708</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 organization 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 donor 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, 2020

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 2020 was \$1,635.

Federal Income Tax – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue 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.

Concentration of Credit Risk – Financial instruments that potentially subject the Foundation to a significant concentration of credit risk consist primarily of cash and cash equivalents and certificates of deposit. At times, the Foundation maintains deposits in federally insured financial institutions in excess of federally insured limits. The Foundation has not experienced any losses related to such accounts. Cash and cash equivalents and certificates of deposit are placed with highly-accredited quality financial institutions and management believes they are not exposed to any significant credit risk.

Risks and Uncertainties – During 2020, many countries around the world, including the United States, were impacted by the coronavirus (the “virus” or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, and reduction in contributions. In addition, the Foundation has been impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, management is not aware of any material risk to the Foundation’s financial statements and cannot quantify the full extent the virus will have on the Foundation’s financial information.

NOTE 2 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2020:

Office equipment	\$ 5,173
Less: accumulated depreciation	<u>(2,770)</u>
Total fixed assets, net	<u>\$ 2,403</u>

Depreciation expense for 2020 amounted to \$74.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 – INVESTMENTS

Investments are comprised of the following at December 31, 2020:

Fixed income bonds	\$ 2,330,867
Equity funds	12,405
Exchange traded fund	5,742,892
Certificates of deposit	<u>56,188</u>
 Total	 <u>\$ 8,142,352</u>

The following summarizes the investment return in the statement of revenues, expenses, and other changes in net assets – income tax basis for 2020:

Dividend, interest, and capital gain distributions	\$ 389,993
Net realized gains	<u>112,722</u>
 Total investment return, net	 <u>\$ 502,715</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 4 – 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, 2020:

Crighton Theatre Fund	\$ 81,733
Gebert Interfaith Fund	<u>58,789</u>
 Total funds held as agency endowments	 <u>\$ 140,522</u>

NOTE 5 – CONTRIBUTION – GRANT REVENUE

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP), which provides qualified small businesses and certain tax-exempt organizations with the resources needed to help provide economic relief due to the adverse impact of COVID-19.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

The PPP is implemented by the U.S. Small Business Administration (SBA) with support from the U.S. Department of the Treasury. On April 20, 2020 the Foundation received a PPP loan in the amount of \$22,700. The loan has an interest rate of 1% and matures in April 2022.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act 2021, proceeds may only be used for the Foundation's eligible payroll costs, or certain other qualified expenses, paid during the covered period following disbursement. Loan payments are deferred beginning on the date of the note and ending ten months after the last day of the covered period. Additionally, if the loan forgiveness application is submitted within 10 months after the end of the loan forgiveness covered period, payments will be further deferred until such loan forgiveness application is processed by the SBA.

The PPP loan may be fully forgiven if certain conditions are met, including proceeds used to pay eligible payroll costs or other qualified expenses, and full-time employee headcount and salaries are either maintained during the covered period following disbursement or restored by December 31, 2020. The Foundation recorded the PPP loan as a liability until all conditions of the program were substantially met. As of December 31, 2020, management believes that all conditions of the program have been substantially met and as such, the Foundation has recognized \$22,700 as contribution – grant revenue in the statement of revenue, expenses and other changes in net assets – income tax basis. The Foundation will seek forgiveness of the loan under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA and no assurance can be provided that the Foundation will obtain forgiveness of the loan in whole or in part.

NOTE 6 – ENDOWMENTS

Net assets with donor restrictions to be held in perpetuity at December 31, 2020 consist of an endowment established by donor designated funds. Contributions to the endowment fund are subject to donor restrictions that stipulate that 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.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act as adopted by the state of Texas (UPMIFA), 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 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.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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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, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 287,862	\$ -	\$ 287,862
Donor-restricted endowment funds	<u>-</u>	<u>8,232,031</u>	<u>8,232,031</u>
Totals	<u>\$ 287,862</u>	<u>\$ 8,232,031</u>	<u>\$ 8,519,893</u>

Changes in endowment net assets for 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$ 270,158	\$ 7,215,042	\$ 7,485,200
Donor contributions	-	813,024	813,024
Investment return, net	17,704	476,741	494,445
Grant distributions	<u>-</u>	<u>(272,776)</u>	<u>(272,776)</u>
Endowment net assets, December 31, 2020	<u>\$ 287,862</u>	<u>\$ 8,232,031</u>	<u>\$ 8,519,893</u>

NOTE 7 – PHILANTHROPIC ACTIVITIES

The Foundation impacts the community through four philanthropic activities: payments to various community organizations working in Montgomery County in support of their programs and needs; post high school educational institution scholarships to support students in their continued educational efforts; funds to contractors and other institutions on behalf of individual homeowners struggling to recover from a disaster; and grants to agencies which establish their Foundation endowment with agency funds. Foundation payments are made from funds without restrictions after any funds with restrictions are released and reclassified, therefore, Foundation payments are comprised of payments from funds without restrictions and are included in grants to individuals and grants to nonprofit organizations in the statement of functional expenses – income tax basis.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

The schedule below presents a reconciliation of total philanthropic payments for 2020:

Foundation payments – grants to nonprofit organizations	\$ 183,160
Foundation payments – grants to individuals – scholarships	18,200
Foundation payments – grants to individuals – households for disaster recovery	<u>71,416</u>
Total foundation payments	272,776
Agency fund payment – Crighton Theater Fund	<u>2,300</u>
 Total philanthropic payments	 <u>\$ 275,076</u>

NOTE 8 – OPERATING LEASE

The Foundation leased an office space for administrative services under the terms of a noncancelable operating lease. Monthly rental expense under the lease was \$1,395 per month, with a maturity date of June 15, 2020, and automatic 12-month renewal until the Foundation gives notice of cancellation. Rent expense for the office spaces totaled \$17,856 for 2020 and is included as occupancy in the statement of functional expenses – income tax basis. Future minimum payments are expected to be \$8,370 for 2021.

NOTE 9 – SUBSEQUENT EVENTS

In 2021, the SBA issued that under the PPP loan program, certain eligible borrowers that previously received a PPP loan could apply for a second PPP loan draw up to \$2,000,000 with the same general loan terms. The second PPP loan can be used to help fund payroll costs, including benefits, and to pay mortgage interest, rent utilities, and other eligible costs related to COVID-19. In 2021, the Foundation applied for a second PPP loan and received \$22,250 on April 6, 2021.

Management has evaluated subsequent events through April 13, 2021, the date the financial statements were available to be issued.