

MONTGOMERY COUNTY COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

MONTGOMERY COUNTY COMMUNITY FOUNDATION
The Woodlands, Texas

FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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INDEPENDENT ACCOUNTANT'S 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, 2021, 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.

Accountant's 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.

We are required to be independent of Montgomery County Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's 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.

(Continued)

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.

Crowe LLP
Crowe LLP

The Woodlands, Texas
April 21, 2022

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – INCOME TAX BASIS
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 898,102
Investments	8,912,032
Fixed assets, net	<u>2,329</u>
 Total assets	 <u><u>\$ 9,812,463</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Funds held as agency endowments	\$ <u>147,200</u>
Total liabilities	147,200
 Net assets	
Without donor restrictions	
Undesignated	313,937
Designated	<u>306,164</u>
Total without donor restrictions	620,101
With donor restrictions	<u>9,045,162</u>
Total net assets	<u><u>9,665,263</u></u>
 Total liabilities and net assets	 <u><u>\$ 9,812,463</u></u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS –
INCOME TAX BASIS
For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 96,850	\$ 557,824	\$ 654,674
Contribution – grant revenue	22,250	-	22,250
Special events, net of direct donor benefits of \$60,424	64,422	-	64,422
Investment return, net	27,201	547,070	574,271
Net assets released from restrictions	<u>291,763</u>	<u>(291,763)</u>	<u>-</u>
Total revenues, gains, and other support	502,486	813,131	1,315,617
Expenses			
Program services	291,763	-	291,763
Supporting services			
Management and general	<u>186,143</u>	<u>-</u>	<u>186,143</u>
Total expenses	<u>477,906</u>	<u>-</u>	<u>477,906</u>
Change in net assets	24,580	813,131	837,711
Net assets, beginning of year	<u>595,521</u>	<u>8,232,031</u>	<u>8,827,552</u>
Net assets, end of year	<u>\$ 620,101</u>	<u>\$ 9,045,162</u>	<u>\$ 9,665,263</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES – INCOME TAX BASIS
For the year ended December 31, 2021

	Program Services	Supporting Services <u>Management and General</u>	Total Expenses
Salaries and benefits	\$ -	\$ 123,501	\$ 123,501
Payroll taxes	-	9,273	9,273
Accounting	-	12,080	12,080
Advertising	-	374	374
Credit card fees	-	200	200
Depreciation	-	74	74
Dues and subscriptions	-	3,165	3,165
Grants to individuals	17,000	-	17,000
Grants to nonprofit organizations	274,763	-	274,763
Insurance	-	1,886	1,886
Information technology	-	4,486	4,486
Investment management fee	-	714	714
Meetings and conferences	-	831	831
Occupancy	-	17,893	17,893
Office	-	2,235	2,235
Printing	-	3,907	3,907
Professional fees	-	3,727	3,727
Travel	-	1,141	1,141
Other	-	656	656
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 291,763</u>	<u>\$ 186,143</u>	<u>\$ 477,906</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 (GAAP) primarily because revenues are recognized when received and expenses are recorded when paid. Additionally, GAAP requires qualitative and quantitative financial statement disclosures regarding an organization’s liquidity and availability of resources. This information is not disclosed in the financial statements. Finally, investments are carried at cost versus fair value, as required by GAAP.

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 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.

(Continued)

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 2021 was \$374.

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 2021, 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, 2021:

Office equipment	\$ 5,173
Less: accumulated depreciation	<u>(2,844)</u>
Total fixed assets, net	<u>\$ 2,329</u>

Depreciation expense for 2021 amounted to \$74.

(Continued)

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 – INVESTMENTS

Investments are comprised of the following at December 31, 2021:

Fixed income bonds	\$ 1,894,097
Equity funds	12,405
Exchange traded fund	6,989,350
Certificates of deposit	<u>16,180</u>
Total	<u>\$ 8,912,032</u>

The following summarizes the investment return in the statement of revenues, expenses, and other changes in net assets – income tax basis for 2021:

Dividends and interest	\$ 540,016
Net realized gains	69,016
Investment management fees	<u>(34,761)</u>
Total investment return, net	<u>\$ 574,271</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, 2021:

Crighton Theatre Fund	\$ 84,660
Gebert Interfaith Fund	<u>62,540</u>
Total funds held as agency endowments	<u>\$ 147,200</u>

NOTE 5 – CONTRIBUTION – GRANT REVENUE

Prior to 2021, 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.

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MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 – CONTRIBUTION – GRANT REVENUE (Continued)

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 with an interest rate of 1% and set to mature in April 2022. On April 6, 2021, the Foundation received a second PPP loan in the amount of \$22,250 with the same general terms as the first loan. The loan was set to mature in April 2026.

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 loans 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 a set date. The Foundation recorded the PPP loans as a liability until all conditions of the program were substantially met.

As of December 31, 2021, management believes that all conditions of the program have been substantially met and as such, the Foundation has recognized \$22,250 as contribution – grant revenue in the statement of revenue, expenses and other changes in net assets – income tax basis. The Foundation previously recognized the first PPP loan of \$22,700 in 2020. The Foundation applied for forgiveness of both loans under the provisions of Section 1106 of the CARES Act and in August and October 2021, respectively, received forgiveness in full by the SBA.

NOTE 6 – ENDOWMENTS

Net assets with donor restrictions to be held in perpetuity at December 31, 2021 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 (UPMIFA) 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.

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MONTGOMERY COUNTY COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE 6 – ENDOWMENTS (Continued)

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.

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, 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 306,164	\$ -	\$ 306,164
Donor-restricted endowment funds	<u>-</u>	<u>9,045,162</u>	<u>9,045,162</u>
Totals	<u>\$ 306,164</u>	<u>\$ 9,045,162</u>	<u>\$ 9,351,326</u>

Changes in endowment net assets for 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ 287,862	\$ 8,232,031	\$ 8,519,893
Donor contributions	-	557,824	557,824
Investment return, net	18,302	547,070	565,372
Grant distributions	<u>-</u>	<u>(291,763)</u>	<u>(291,763)</u>
Endowment net assets, December 31, 2021	<u>\$ 306,164</u>	<u>\$ 9,045,162</u>	<u>\$ 9,351,326</u>

(Continued)

MONTGOMERY COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

The schedule below presents a reconciliation of total philanthropic payments for 2021:

Foundation payments – grants to nonprofit organizations	\$ 274,763
Foundation payments – grants to individuals – scholarships	<u>17,000</u>
Total foundation payments	291,763
Agency fund payment – Crighton Theatre Fund	<u>2,400</u>
 Total philanthropic payments	 <u>\$ 294,163</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 \$17,893 for 2021 and is included as occupancy in the statement of functional expenses – income tax basis. Future minimum payments are expected to be \$8,370 for 2022.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 21, 2022, the date the financial statements were available to be issued.