

Montgomery County Community Foundation

Financial Statements

**For the Year Ended
December 31, 2017**

Montgomery County Community Foundation
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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, 2017, and the related statement of revenues, expenses, and other changes in net assets – 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 the Organization 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 the Organization uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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 the Organization uses for income tax purposes.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the Organization 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.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
April 19, 2018

Montgomery County Community Foundation
Statement of Assets, Liabilities, and Net Assets – Income Tax Basis
December 31, 2017

ASSETS	
Cash and Cash Equivalents	\$ 1,456,025
Investments	5,785,996
Other Assets	1,500
Fixed Assets, Net	<u>2,625</u>
TOTAL ASSETS	<u>\$ 7,246,146</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Funds Held as Agency Endowments	<u>\$ 145,156</u>
TOTAL LIABILITIES	<u>145,156</u>
NET ASSETS	
Unrestricted	
Undesignated	293,246
Designated	<u>225,744</u>
Total Unrestricted	518,990
Temporarily Restricted	3,129,742
Permanently Restricted	<u>3,452,258</u>
TOTAL NET ASSETS	<u>7,100,990</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,246,146</u>

See accompanying notes and independent accountant's 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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 1,515	\$ 232,879	\$ 83,070	\$ 317,464
Special Events	142,811	-	-	142,811
Investment Return, Net	16,786	331,872	-	348,658
Net Assets Released from Restrictions and Reclassifications	169,644	(169,644)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	330,756	395,107	83,070	808,933
EXPENSES				
Program Services				
Charities	160,144	-	-	160,144
Scholarships	9,500	-	-	9,500
Supporting Services				
Management and General	117,673	-	-	117,673
Special Events	31,866	-	-	31,866
TOTAL EXPENSES	319,183	-	-	319,183
CHANGE IN NET ASSETS	11,573	395,107	83,070	489,750
NET ASSETS, BEGINNING OF YEAR	507,417	2,734,635	3,369,188	6,611,240
NET ASSETS, END OF YEAR	<u>\$ 518,990</u>	<u>\$ 3,129,742</u>	<u>\$ 3,452,258</u>	<u>\$ 7,100,990</u>

See accompanying notes and independent accountant's review report.

Montgomery County Community Foundation
Notes to Financial Statements
December 31, 2017

NOTE 1 – Organization and Nature of Activities

Montgomery County Community Foundation (the “Foundation”) is a Texas non-profit 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.

NOTE 2 – Summary of Significant Accounting Policies

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.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that require the occurrence of a specific event.
- *Permanently restricted net assets*: Net assets required to be maintained in perpetuity due to donor-imposed restrictions.

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.

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 estimate useful life.

Montgomery County Community Foundation
Notes to Financial Statements
December 31, 2017

Investments

Investments are recorded at cost. The realized investment return (loss) of investments during the year is recorded as investment income (loss) in unrestricted net assets 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 temporarily or permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

The Foundation reports restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

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

Functional Expenses

The costs of providing the various programs and activities have been presented in the statement of revenues, expenses, and other changes in net assets – income tax basis.

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.

Date of Management Review

The Foundation has evaluated subsequent events through April 19, 2018, the date the financial statements were available to be issued.

Montgomery County Community Foundation
Notes to Financial Statements
December 31, 2017

NOTE 3 – Concentration of Credit Risks

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) 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 (SIPC). 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, 2017:

Office Equipment	\$ 5,173
Accumulated Depreciation	<u>(2,548)</u>
Fixed Assets, Net	<u><u>\$ 2,625</u></u>

Depreciation expense for the year ended December 31, 2017 amounted to \$74.

NOTE 5 – Investments

Investments are comprised of the following at December 31, 2017:

Fixed Income Bonds	\$ 2,420,079
Equity Funds	3,046,208
Exchange Traded Fund	249,678
Certificates of Deposit	<u>70,031</u>
Total	<u><u>\$ 5,785,996</u></u>

The following summarizes the investment return in the statement of revenues, expenses, and other changes in net assets – income tax basis for the year ended December 31, 2017:

Dividend, Interest, and Capital Gain Distributions	\$ 215,540
Net Realized Gains	<u>133,118</u>
Total Investment Return, Net	<u><u>\$ 348,658</u></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.

Montgomery County Community Foundation
Notes to Financial Statements
December 31, 2017

NOTE 6 – Funds Held as Agency Endowments

The Foundation receives funds from individuals, corporations, foundation, 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, 2017:

Crighton Theatre Fund	\$ 75,042
Gebert Interfaith Fund	50,484
Performing Arts Society Funds	19,630
	<u>\$ 145,156</u>

NOTE 7 – Endowments

Permanently restricted net assets at December 31, 2017 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.

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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets 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

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December 31, 2017

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, 2017 are as follows:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 225,744	\$ -	\$ -	\$ 225,744
Donor restricted endowment funds	-	3,129,742	3,452,258	6,582,000
Total	<u>\$ 225,744</u>	<u>\$ 3,129,742</u>	<u>\$ 3,452,258</u>	<u>\$ 6,807,744</u>

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2017	\$ 214,471	\$ 2,734,635	\$ 3,369,188	\$ 6,318,294
Donor Contributions	-	232,879	83,070	315,949
Investment Return	11,529	331,872	-	343,401
Grant Distributions	(256)	(169,644)	-	(169,900)
Endowment Net Assets, December 31, 2017	<u>\$ 225,744</u>	<u>\$ 3,129,742</u>	<u>\$ 3,452,258</u>	<u>\$ 6,807,744</u>

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 unrestricted funds after any temporary restrictions are met and the temporarily restricted funds are released and reclassified. Therefore, the amount paid to charities on the face of the statement of revenues, expenses, and other changes in net assets – income tax basis comprises payments from unrestricted funds.

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The schedule below presents a reconciliation of total charity payments for the year ended December 31, 2017:

Foundation payments - Charities	\$ 160,144
Agency Fund payment - Crighton Theater Fund	<u>2,200</u>
Total payments - Charities	<u><u>\$ 162,344</u></u>

NOTE 9 – Operating Lease

The Foundation leases an office space for administrative services under the terms of a non-cancelable operating lease. The lease was renewed effective August 1, 2017 for twelve months, expiring July 31, 2018. Monthly rent expense under the terms of this new lease is \$1,550. Rent expense for the office space totaled \$19,200 for the year ended December 31, 2017.