

Community Foundation of the Brazos Valley

Financial Statements

with

Independent Auditor's Report

December 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Community Foundation of the Brazos Valley

We have audited the accompanying financial statements of Community Foundation of the Brazos Valley (a Texas Non-Profit Corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audit. 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.

Serving Central Texas Since 1967

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of the Brazos Valley as of December 31, 2018 and 2017, 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.

May 9, 2019
Brenham, Texas

Seidel Semaden

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Financial Position
December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 570,396	\$ 3,661,799
Investments, at fair value	6,994,511	4,437,665
Prepaid expenses	25	25
Property and equipment:		
Furniture, fixtures, and equipment	7,357	8,367
Less: Accumulated depreciation	<u>(6,544)</u>	<u>(6,265)</u>
Net property and equipment	<u>813</u>	<u>2,102</u>
 Total assets	 <u><u>\$ 7,565,745</u></u>	 <u><u>\$ 8,101,591</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Deferred revenue	\$ 1,250	\$ 1,400
Grants payable	-	8,218
Agency endowments	<u>652,523</u>	<u>695,528</u>
Total liabilities	<u>653,773</u>	<u>705,146</u>
 Net assets:		
Without donor restrictions	<u>6,911,972</u>	<u>7,396,445</u>
Total net assets	<u>6,911,972</u>	<u>7,396,445</u>
 Total liabilities and net assets	 <u><u>\$ 7,565,745</u></u>	 <u><u>\$ 8,101,591</u></u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
<u>Public support and revenues</u>		
Donations	\$ 276,798	\$ 4,208,979
Investment income (loss)	(486,169)	461,728
Special events	106,266	91,092
In-kind contributions - tribute luncheon	6,487	11,700
Other	7,122	6,680
Net assets released from purpose restrictions	-	2,700
Total unrestricted public support and revenues	(89,496)	4,782,879
<u>Expenses</u>		
Program services:		
Grants to organizations	243,038	102,050
Scholarships	54,740	54,321
Special events	53,307	51,090
Support services:		
Administrative expenses	43,892	39,899
Total expenses	394,977	247,360
Increase (decrease) in net assets without donor restrictions	(484,473)	4,535,519
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
<u>Public support and revenues</u>		
Net assets released from purpose restrictions	-	(2,700)
Increase (decrease) in net assets with donor restrictions	-	(2,700)
Increase (decrease) in net assets	(484,473)	4,532,819
Net assets - beginning of year	7,396,445	2,863,626
Net assets - end of year	\$ 6,911,972	\$ 7,396,445

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services	Total
	Grants to Organizations	Scholarships	Special Events	Administrative Expenses	
Accounting fees	\$ -	\$ -	\$ -	\$ 9,913	\$ 9,913
Conference fees	-	-	-	155	155
Depreciation	-	-	-	699	699
FIMS software fees	8,377	972	2	513	9,864
Fund expenses	-	97	-	-	97
Grants to organizations	172,329	-	-	-	172,329
Insurance	-	-	-	1,965	1,965
Investment management fees	27,979	3,245	7	1,713	32,944
Loss on disposal of fixed assets	-	-	-	590	590
Marketing	-	-	-	1,174	1,174
Meals	-	-	-	396	396
Membership fees	-	-	-	1,825	1,825
Office supplies	-	-	-	2,093	2,093
Other	-	-	-	1,311	1,311
Postage	-	-	-	1,068	1,068
Printing	-	-	-	945	945
Rent	-	-	-	7,713	7,713
Salaries and payroll expenses	34,353	17,176	25,764	8,588	85,881
Scholarships	-	33,250	-	-	33,250
Telephone	-	-	-	773	773
Travel	-	-	-	2,458	2,458
Tribute luncheon expenses	-	-	27,534	-	27,534
	<u>\$ 243,038</u>	<u>\$ 54,740</u>	<u>\$ 53,307</u>	<u>\$ 43,892</u>	<u>\$ 394,977</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY

**Statement of Functional Expenses
For the Year Ended December 31, 2017**

	Program Services			Supporting Services	Total
	Grants to Organizations	Scholarships	Special Events	Administrative Expenses	
Accounting fees	\$ -	\$ -	\$ -	\$ 9,861	\$ 9,861
Depreciation	-	-	-	822	822
FIMS software fees	7,145	1,915	19	498	9,577
Fund expenses	-	306	-	-	306
Grants to organizations	55,887	-	-	-	55,887
Insurance	-	-	-	2,488	2,488
Investment management fees	10,389	2,785	28	724	13,926
Marketing	-	-	-	881	881
Meals	-	-	-	574	574
Membership fees	-	-	-	3,025	3,025
Office supplies	-	-	-	899	899
Other	-	-	-	724	724
Postage	-	-	-	1,330	1,330
Printing	-	-	-	3,021	3,021
Rent	-	-	-	7,200	7,200
Salaries and payroll expenses	28,629	14,315	21,473	7,158	71,575
Scholarships	-	35,000	-	-	35,000
Telephone	-	-	-	694	694
Tribute luncheon expenses	-	-	29,570	-	29,570
	<u>\$ 102,050</u>	<u>\$ 54,321</u>	<u>\$ 51,090</u>	<u>\$ 39,899</u>	<u>\$ 247,360</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (484,473)	\$ 4,532,819
Reinvested dividends	(18,497)	(21,646)
Loss on disposal of property and equipment	590	-
Net (gain) loss on investments	751,133	(416,665)
Depreciation	699	822
Increase (decrease) in cash resulting from changes in assets and liabilities:		
Deferred revenue	(150)	(4,850)
Accrued expenses	-	(13)
Grants payable	(8,218)	8,218
Agency funds	(43,005)	96,126
Net cash provided by operating activities	198,079	4,194,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,344,977)	(1,441,129)
Proceeds from the sale of investments	2,055,495	521,276
Net cash provided (used) by investing activities	(3,289,482)	(919,853)
Net increase (decrease) in cash and equivalents	(3,091,403)	3,274,958
Cash and equivalents at beginning of year	3,661,799	386,841
Cash and equivalents at end of year	\$ 570,396	\$ 3,661,799

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2018 and 2017

1. Summary of significant accounting policies

History

Community Foundation of the Brazos Valley (“the Foundation”) is a public, not for profit 501(c)(3) organization. The Foundation was originally organized on January 9, 2003 under the name Brazos Community Foundation d.b.a. Community Foundation of the Brazos Valley. The Foundation changed its name to Community Foundation of the Brazos Valley effective December 5, 2018.

Mission

Community Foundation of the Brazos Valley is dedicated to improving the quality of life in the Brazos Valley through the development of philanthropic giving, responsible grant making, professional stewardship and collaborative leadership.

Basis of accounting

The financial statements of the Community Foundation of the Brazos Valley have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Because the Foundation follows Generally Accepted Accounting Principles for financial statements of not for profit organizations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions. These classes are as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

With donor restrictions – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Programs

Programs are established to comply with the intent of the donor. All contributions, which contain restrictions, are classified as net assets with donor restrictions. These amounts are tracked, by the individual programs, until fully expended. The individual programs are classified in the note which provides details on net assets with donor restrictions.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2018 and 2017

1. Summary of significant accounting policies – continued

Categories of major programs, during the period covered by these financial statements were:

1. Scholarships for students attending area colleges
2. Various programs and activities of charitable organizations in the Brazos Valley

Cash and Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. It is the Foundation's policy to immediately sell donated marketable securities upon receipt.

Contributed Services

Certain contributed services related to special events meeting the requirements for recognition have been recorded in the financial statements as in-kind contributions. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services and have not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Expenditures for additions, major renewal, and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. The Foundation's capitalization threshold is \$500. Depreciation is computed on the straight-line method over estimated useful lives.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2018 and 2017

1. Summary of significant accounting policies - continued

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Foundation is exempt from 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. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation has no unrelated business income. The tax years ending December 31, 2015 and later remain subject to examination.

Date of Management's Review

Management has evaluated subsequent events through May 9, 2019, the date the financial statements were available to be issued. No additional disclosures or modifications were deemed necessary.

2. Cash and equivalents

Cash and equivalents consist of checking accounts at local financial institutions and money market accounts with original maturities less than three months. For the purpose of the statement of cash flows, temporarily restricted cash and equivalents are included.

3. Investments

The Foundation carries investments at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820-10-65, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs have the highest priority and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level I inputs because they generally provide the most reliable

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2018 and 2017

evidence of fair value. Fair value estimates as of December 31, 2018 and 2017 are as follows:

3. Investments - continued

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2018</u>				
Certificates of deposit	\$ 449,703	\$ -	\$ 449,703	\$ -
Equity securities	1,671,146	1,671,146	-	-
Mutual funds	4,873,662	4,873,662	-	-
	<u>\$ 6,994,511</u>	<u>\$ 6,544,808</u>	<u>\$ 449,703</u>	<u>\$ -</u>
<u>December 31, 2017</u>				
Equity securities	\$ 1,223,181	\$ 1,223,181	\$ -	\$ -
Mutual funds	3,214,484	3,214,484	-	-
	<u>\$ 4,437,665</u>	<u>\$ 4,437,665</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Investment return consists of the following:

	2018	2017
Interest and dividend income	\$ 264,964	\$ 78,112
Net gain (loss) on investments	(751,133)	383,616
	<u>\$ (486,169)</u>	<u>\$ 461,728</u>

Investment Pools

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

4. Net Assets

Included in net assets without donor restrictions is approximately \$5,242,577 and \$5,618,162 of donor-advised funds as of December 31, 2018 and 2017, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion of the use of

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2018 and 2017

Net assets with donor restrictions are net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specific purpose. All net assets with donor restriction of this Foundation are based on purpose restrictions.

5. Agency Endowment Funds

Financial accounting standards require that if a not-for-profit organization transfers assets to a recipient organization and specifies itself or its affiliate as the beneficiary, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency endowment funds. These funds are presented as a liability in the Statement of Financial Position.

The agency endowment funds held at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Aggieland Pregnancy Outreach	\$ 13,088	\$ 14,380
Arts Council of Brazos Valley	7,738	8,518
Boys and Girls Club of Brazos Valley Endowment	36,074	88,604
Boys and Girls Club of Brazos Valley Building Campaign	44,547	-
Brazos Valley Breast Cancer Support dba Pink Alliance	63,636	59,790
Brazos Valley Chorale	12,079	13,272
Brazos Valley Council of Alcohol & Substance Abuse	6,330	6,986
Brazos Valley Food Bank	83,359	91,589
Brazos Valley Museum of Natural History	19,110	20,996
Children's Museum of Brazos Valley	13,081	14,372
Mobility Worldwide Brazos Valley	13,353	-
Scotty's House	13,572	29,340
St. Andrews Episcopal/Cherry	26,704	12,289
St. Andrews Episcopal/Plass	11,185	64,277
St. Michaels Academy	55,515	12,001
Still Creek Ranch	10,922	14,912
The Theatre Company	77,586	85,245
Unity Theatre	138,357	152,016
Voices for Children, Inc.	6,288	6,941
	<u>\$ 652,523</u>	<u>\$ 695,528</u>

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2018 and 2017

6. Special events

The Foundation hosts an annual luncheon honoring inspirational leaders in the community. Revenues from the luncheon serves as additional support source for the operational needs of the Foundation. The income and expenses related to the event for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Revenues and contributions	\$ 106,266	\$ 91,092
In-kind contributions	6,487	11,700
Direct expenses - in-kind	(6,487)	(11,700)
Direct expenses - other	(21,047)	(17,870)
Allocation of payroll and other expenses	(25,773)	(21,520)
	\$ 59,446	\$ 51,702

7. Commitments

In 2011 the Foundation entered into a three year agreement for access and use of its accounting software. The agreement was renewed for three additional years to December 31, 2019. The fee for 2019 is \$10,160.

In 2018, the Foundation entered into a one year agreement for office space. The lease agreement expires November 1, 2019. The rent expense for the year ended December 31, 2018 was \$7,713. Required minimum rent payments due for the year ending December 31, 2019 total \$6,230.

8. New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspect of the Foundation's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily restricted and permanently restrict net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.

To the Board of Directors
Community Foundation of the Brazos Valley

We have audited the financial statements of Community Foundation of the Brazos Valley for the year ended December 31, 2018, and have issued our report thereon dated May 9, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated December 4, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Community Foundation of the Brazos Valley are described in Note 1 to the financial statements. As described in Note 8, the Foundation changed accounting policies related to the presentation of financial statements by adopting FASB accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investment securities is based on valuation techniques disclosed in the notes to the financial statements. We evaluated the key factors and assumptions used to estimate fair value of investment securities in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's reported depreciation of property and equipment was determined using the straight-line method and is based on estimates of the useful lives of said assets. We evaluated the key factors and assumptions used to develop the useful life estimates and have determined that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

The following misstatements were detected as a result of audit procedures and corrected by management:

Change in net assets per books for the year ended December 31, 2018	\$ (526,339)
Adjustments:	
Agency funds held	43,005
Depreciation expense	(699)
Deferred revenue	150
Loss on disposal of property and equipment	(590)
Net effect of adjustments	<u>41,866</u>
Change in net assets, as adjusted	<u>\$ (484,473)</u>

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Community Foundation of the Brazos Valley and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Seidel Schroeder

Community Foundation of the Brazos Valley
Schedule of Unadjusted Audit Differences
December 31, 2018

Description of Audit Difference	Total Assets	Total Liabilities	Net Assets	Change in Net Assets
Cash	\$ 10,000	\$ 10,000	\$ -	\$ -
Total unadjusted audit differences	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>
Financial statement caption totals	\$ 7,565,745	\$ 653,773	\$ 6,911,972	\$ (484,473)
Net audit differences as a percentage of financial statement caption totals	0.13%	1.53%	0.00%	0.00%