

Community Foundation of the Brazos Valley

Financial Statements

with

Independent Auditor's Report

December 31, 2019 and 2018

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, 2019 and 2018, 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 audits. 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.

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, 2019 and 2018, 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.

June 11, 2020
Brenham, Texas

Sindel Smuder

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and equivalents	\$ 800,505	\$ 570,396
Investments, at fair value	8,248,666	6,994,511
Prepaid expenses	25	25
Property and equipment:		
Furniture, fixtures, and equipment	7,357	7,357
Less: Accumulated depreciation	(6,975)	(6,544)
Net property and equipment	382	813
 Total assets	 \$ 9,049,578	 \$ 7,565,745
LIABILITIES AND NET ASSETS		
Liabilities:		
Deferred revenue	\$ -	\$ 1,250
Grants payable	204	-
Agency endowments	784,096	652,523
Total liabilities	784,300	653,773
 Net assets:		
Without donor restrictions	8,265,278	6,911,972
Total net assets	8,265,278	6,911,972
 Total liabilities and net assets	 \$ 9,049,578	 \$ 7,565,745

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
<u>Public support and revenues</u>		
Donations	\$ 552,591	\$ 276,798
Investment income (loss)	1,292,450	(486,169)
Special events	107,559	106,266
In-kind contributions - tribute luncheon	5,372	6,487
Other	7,408	7,122
Total unrestricted public support and revenues	1,965,380	(89,496)
<u>Expenses</u>		
Program services:		
Grants to organizations	429,371	243,038
Scholarships	68,782	54,740
Special events	68,222	53,307
Support services:		
Administrative expenses	45,699	43,892
Total expenses	612,074	394,977
Increase (decrease) in net assets	1,353,306	(484,473)
Net assets - beginning of year	6,911,972	7,396,445
Net assets - end of year	\$ 8,265,278	\$ 6,911,972

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services	Total
	Grants to Organizations	Scholarships	Special Events	Administrative Expenses	
Accounting fees	\$ -	\$ -	\$ -	\$ 10,123	\$ 10,123
Depreciation	-	-	-	431	431
FIMS software fees	8,704	928	-	528	10,160
Fund expenses	-	660	-	-	660
Grants to organizations	354,908	-	-	-	354,908
Insurance	-	-	-	1,275	1,275
Investment management fees	27,158	2,894	-	1,648	31,700
Marketing	-	-	11,381	70	11,451
Meals	-	-	-	443	443
Membership fees	-	-	-	1,825	1,825
Office supplies	-	-	-	3,438	3,438
Other	-	-	-	3,733	3,733
Postage	-	-	1,234	1,140	2,374
Printing	-	-	5,170	1,044	6,214
Rent	-	-	-	7,476	7,476
Salaries and payroll expenses	38,601	19,300	28,950	9,650	96,501
Scholarships	-	45,000	-	-	45,000
Telephone	-	-	-	1,752	1,752
Travel	-	-	-	1,124	1,124
Tribute luncheon expenses	-	-	21,486	-	21,486
	<u>\$ 429,371</u>	<u>\$ 68,782</u>	<u>\$ 68,222</u>	<u>\$ 45,699</u>	<u>\$ 612,074</u>

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
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,353,306	\$ (484,473)
Reinvested dividends	(22,467)	(18,497)
Loss on disposal of property and equipment	-	590
Net (gain) loss on investments	(1,022,253)	751,133
Depreciation	431	699
Increase (decrease) in cash resulting from changes in assets and liabilities:		
Deferred revenue	(1,250)	(150)
Grants payable	204	(8,218)
Agency funds	131,573	(43,005)
Net cash provided by operating activities	439,544	198,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,145,328)	(5,344,977)
Proceeds from the sale of investments	6,485,893	2,055,495
Redemption of certificates of deposit	450,000	-
Net cash provided (used) by investing activities	(209,435)	(3,289,482)
Net increase (decrease) in cash and equivalents	230,109	(3,091,403)
Cash and equivalents at beginning of year	570,396	3,661,799
Cash and equivalents at end of year	\$ 800,505	\$ 570,396

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018

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.

Advertising Costs

Advertising costs are expensed as incurred.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2019 and 2018

1. Summary of significant accounting policies - continued

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, 2016 and later remain subject to examination.

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.

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 evidence of fair value. Fair value estimates as of December 31, 2019 and 2018 are as follows:

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2019 and 2018

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, 2019</u>				
Exchange traded funds	\$ 480,495	\$ 480,495	\$ -	\$ -
Mutual funds	7,768,171	7,768,171	-	-
	<u>\$ 8,248,666</u>	<u>\$ 8,248,666</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2018</u>				
Certificates of deposit	\$ 449,703	\$ -	\$ 449,703	\$ -
Exchange traded funds	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>

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:

	2019	2018
Interest and dividend income	\$ 270,197	\$ 264,964
Net gain (loss) on investments	1,022,253	(751,133)
	<u>\$ 1,292,450</u>	<u>\$ (486,169)</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 \$6,306,484 and \$5,242,577 of donor-advised funds as of December 31, 2019 and 2018, 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 these funds lies with the Board of Trustees. Thus such funds represent net assets without donor restrictions to the Foundation.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2019 and 2018

3. Net Assets - continued

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, 2019 and 2018 are summarized as follows:

	2019	2018
Aggieland Pregnancy Outreach	\$ 15,541	\$ 13,088
Arts Council of Brazos Valley	9,174	7,738
Boys and Girls Club of Brazos Valley Endowment	42,837	36,074
Boys and Girls Club of Brazos Valley Building Campaign	52,898	44,547
Brazos Valley Breast Cancer Support dba Pink Alliance	92,251	63,636
Brazos Valley Chorale	14,344	12,079
Brazos Valley Council of Alcohol & Substance Abuse	7,486	6,330
Brazos Valley Food Bank	98,986	83,359
Brazos Valley Museum of Natural History	22,692	19,110
Children's Museum of Brazos Valley	5,933	13,081
Mobility Worldwide Brazos Valley	31,389	13,353
Scotty's House	16,117	13,572
St. Andrews Episcopal/Cherry	32,098	26,704
St. Andrews Episcopal/Plass	12,685	11,185
St. Michaels Academy	62,449	55,515
Still Creek Ranch	10,792	10,922
The Theatre Company	92,130	77,586
Unity Theatre	164,295	138,357
Voices for Children, Inc.	-	6,288
	\$ 784,096	\$ 652,523

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018 were as follows:

	2019	2018
Revenues and contributions	\$ 107,559	\$ 106,266
In-kind contributions	5,372	6,487
Direct expenses - in-kind	(5,372)	(6,487)
Direct expenses - other	(16,114)	(21,047)
Allocation of payroll and other expenses	(28,950)	(25,773)
	\$ 62,495	\$ 59,446

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 one additional year to December 31, 2020. The fee for 2020 is \$10,465.

In 2019, the Foundation entered into a three year agreement for use of a website software as a donation database. Future payments total \$7,500 for the years ending December 31, 2020 and 2021.

In 2019, the Foundation entered into a two year agreement for office space. The lease agreement expires November 1, 2021. The rent expense for the year ended December 31, 2019 was \$7,476. Required minimum rent payments due for the years ending December 31 are as follows:

2020	\$ 7,510
2021	6,400
	\$ 13,910

8. Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in one financial institution. At December 31, 2019, the Organization's cash and cash equivalents exceeded federally insured limits by approximately \$120,000.

9. New Accounting Pronouncements

Effective January 1, 2019, the Foundation changed its accounting methods for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. The difference to revenue account balances under the new

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2019 and 2018

guidance as opposed to the prior revenue recognition guidance was determined to be immaterial. Accordingly, no adjustment to beginning net assets was necessary.

The FASB issued new guidance that created topic 825-10, *Financial Instruments-Overall*, in the ASC. The new financial instruments guidance removes the classification regarding equity securities, which results in recognizing the change in fair value of equity securities in net income during the year of the change in value. The Organization adopted the requirements of the new financial instruments guidance retrospectively as of January 1, 2019. The impact of adopting the new guidance was determined to be immaterial. Accordingly, no adjustment to beginning net assets was necessary.

10. Subsequent events

Subsequent to year-end, the Coronavirus (COVID-19) pandemic impacted the Foundation's region and the nation as a whole, leading to economic uncertainties and significant volatility in the stock market. Other financial impact could occur though such potential impact is unknown at this time.

Management has evaluated all subsequent events through June 11, 2020, the date on which the financial statements were available to be issued.