

Daniel & Duncan LLC

Certified Public Accountants and Business Advisors

**THE SAVANNAH COMMUNITY
FOUNDATION, INC.**

FINANCIAL REPORT

Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Savannah Community Foundation, Inc.
Savannah, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of The Savannah Community Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Savannah Community Foundation, Inc. as of June 30, 2014 and 2013, 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.

Daniel + Duncan LLC

Savannah, Georgia
October 31, 2014

THE SAVANNAH COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,844,367	\$ 1,385,684
Certificates of deposit	573,755	629,135
Accrued interest receivable	40,867	38,719
Investments	<u>18,722,954</u>	<u>17,003,178</u>
Total assets	<u>\$ 21,181,943</u>	<u>\$ 19,056,716</u>
LIABILITIES		
Accounts payable	\$ 32,168	\$ 28,944
Grants payable	<u>139,905</u>	<u>71,920</u>
Total liabilities	<u>172,073</u>	<u>100,864</u>
NET ASSETS		
Unrestricted net assets	<u>21,009,870</u>	<u>18,955,852</u>
Total liabilities and net assets	<u>\$ 21,181,943</u>	<u>\$ 19,056,716</u>

THE SAVANNAH COMMUNITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE AND SUPPORT		
Contributions	\$ 1,739,413	\$ 3,702,102
Net investment income	431,083	437,979
Net realized and unrealized gains on investments	<u>2,411,301</u>	<u>1,511,836</u>
Total revenue and support	<u>4,581,797</u>	<u>5,651,917</u>
EXPENSES		
Program services:		
Grants awarded	2,356,732	2,910,973
Supporting Services:		
Management and general	<u>171,047</u>	<u>176,438</u>
Total expenses	<u>2,527,779</u>	<u>3,087,411</u>
CHANGE IN UNRESTRICTED NET ASSETS	2,054,018	2,564,506
UNRESTRICTED NET ASSETS		
Beginning of year	<u>18,955,852</u>	<u>16,391,346</u>
End of year	<u>\$ 21,009,870</u>	<u>\$ 18,955,852</u>

THE SAVANNAH COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 2,054,018	\$ 2,564,506
Adjustments to reconcile change in unrestricted net assets to cash provided by operating activities:		
Net realized and unrealized gains on investments	(2,411,301)	(1,511,836)
Increase in:		
Accrued interest receivable	(2,148)	(34,256)
Accounts payable	3,224	4,859
Grants payable	67,985	71,920
Net cash provided by (used by) operating activities	<u>(288,222)</u>	<u>1,095,193</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturing certificates of deposit	55,380	66,254
Proceeds from sales and maturities of investments	13,161,596	13,286,932
Purchase of investments	<u>(12,470,071)</u>	<u>(14,285,275)</u>
Net cash provided by (used by) investing activities	<u>746,905</u>	<u>(932,089)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	458,683	163,104
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,385,684</u>	<u>1,222,580</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,844,367</u>	<u>\$ 1,385,684</u>

THE SAVANNAH COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Savannah Community Foundation, Inc. is a tax-exempt organization which receives gifts, grants, and bequests for the purpose of making charitable contributions to organizations approved by the Board of Directors. Such gifts and grants are received from various businesses and individuals, both locally in Savannah and the surrounding areas.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation's management to make estimates and assumptions that affect the reported amounts of 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.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments – Investments are recorded at their fair value. The foundation follows the fair value measurement provisions of the Accounting Standards Codification (ASC) Section 820 as discussed in note 4. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Classification of Contributions and Net Assets - The accompanying financial statements have been prepared in accordance with the Not-for-Profit Entities Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ("ASC Section 958"). The Subtopics of ASC Section 958 require the Foundation to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into these classes: unrestricted, temporarily restricted, and permanently restricted. FASB ASC (ASC 958-20-45-28) provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). The Foundation has determined its net assets do not meet the definition of endowment under UPMIFA.

Contributions are subject to the variance power established by the Foundation's governing documents. The variance provision gives the Board of Directors the authority, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable and educational purposes of the Foundation. Based on this provision, all contributions and assets are classified as unrestricted.

The Foundation's assets consist of approximately 225 individual funds established by donors for a variety of purposes. As noted above, the Foundation classifies these funds as unrestricted net assets. The Foundation further classifies its unrestricted net assets into the following internal fund classifications:

THE SAVANNAH COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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- a) **Donor Advised** – funds created by donors who wish to remain active in their philanthropy and have access to the Foundation’s professional advice and management. Donors may suggest charitable distributions from funds they have established, although the Foundation’s Board of Directors is required to make final decisions on all grants.
- b) **Donor Designated** – funds established to provide grants to a specific charitable agency or project. The Board of Directors accepts the donor’s designation as long as the agency or project continues to serve the public interest.
- c) **Endowment** – funds established by nonprofit organizations for the purpose of generating income in perpetuity for their charitable purpose. Endowment funds may also receive gifts from the general public.
- d) **Scholarships** – funds established to provide grants to qualifying students enrolled in various universities.
- e) **Unrestricted/Discretionary** – funds not designated for a specific charitable beneficiary. These funds are disbursed at the discretion of the Foundation’s Board of Directors in response to requests from nonprofit organizations and based on an assessment of the most pressing needs. Unrestricted funds are also used to pay administrative expenses.
- f) **Field of Interest/Discretionary** – funds to be used at the discretion of the Foundation for a particular charitable endeavor, e.g., literacy, social services, preservation.

Income Taxes – The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2010.

Reclassifications – Certain reclassifications have been made to the prior-year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events - Management has evaluated subsequent events for recognition and disclosure in the financial statements through October 31, 2014, the date on which the financial statements were available to be issued.

NOTE 2. CONCENTRATION OF RISK

Credit Risk

During the fiscal years 2014 and 2013, the Foundation maintained cash deposits with one financial institution that exceeded amounts guaranteed by the Federal Deposit Insurance Corporation (FDIC). In order to eliminate any credit risk associated with these uninsured deposits, the financial institution has pledged, under a security agreement with the Foundation, U.S. government-sponsored enterprise debt securities as collateral.

THE SAVANNAH COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Investment Risk

The Foundation maintains various types of investments that encompass many different investment funds and companies with varied industry and geographical characteristics. Investment securities are subject to various risks, such as interest rate, and overall market volatility. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3. GRANTS

Grants, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives the refund.

NOTE 4. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) and distinguishes between observable inputs and unobservable inputs.

The term inputs refers to the assumptions that market participants use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. ASC Topic 820 indicates that valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 being the highest priority:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in level 1, such as quoted market prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

The following table presents by level, within the fair value hierarchy, the Foundation's investments measured at fair value as of June 30, 2014 and 2013:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Common & preferred stocks	\$ 10,957,743	\$	\$	\$ 10,957,743
Mutual funds	3,362,786			3,362,786
Fixed income:				
U.S. Treasury obligations	30,827			30,827
U.S. government agency obligations		1,064,913		1,064,913
U.S. corporate obligations	3,087,804			3,087,804
Limited partnerships		218,881		218,881
Total	\$ 17,439,160	\$ 1,283,794	\$	\$ 18,722,954

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Common & preferred stocks	\$ 9,975,720	\$	\$	\$ 9,975,720
Mutual funds	2,886,833			2,886,833
Fixed income:				
U.S. Treasury obligations	166,558			166,558
U.S. government agency obligations		1,101,289		1,101,289
U.S. corporate obligations	2,609,125			2,609,125
Limited partnerships		263,653		263,653
Total	\$ 15,638,236	\$ 1,364,942	\$	\$ 17,003,178

The following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position at June 30, 2014 and 2013.

Common and preferred stocks, corporate bonds, exchange traded funds and U.S. Treasury securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued using the Net Asset Value ("NAV") of shares held by the Foundation.

Government agency obligations: Valued using matrix pricing or market corroborated pricing and inputs such as yield curves.

Limited Partnership – Valued by allocating the aggregate fair values of the underlying securities to each partner based on the number of units held by the partner.

Investment expenses, including custodial and investment advisory fees, amounted to \$160,704 and \$140,451 for the years ended June 30, 2014 and 2013, respectively, and have been netted against investment income.

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NOTE 5. MANAGEMENT SERVICES AGREEMENT

The Foundation has entered into a management services agreement with Simpson Law, PC for administrative personnel services and office space, including utilities and various other office expenses. Under the terms of the agreement, the Foundation incurred management fees of \$160,680 for fiscal years ended June 30, 2014 and 2013.