

TWIN COUNTY COMMUNITY FOUNDATION

FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2017

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
TWIN COUNTY COMMUNITY FOUNDATION
GALAX, VIRGINIA

We have audited the accompanying financial statements of Twin County Community Foundation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Twin County Community Foundation as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 24, 2018

FINANCIAL SECTION

Twin County Community Foundation
Statement of Financial Position
September 30, 2017

Assets	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 204,909
Investments	<u>9,311,055</u>
Total Current Assets	<u>\$ 9,515,964</u>
<i>Noncurrent Assets:</i>	
Cash and cash equivalents (restricted)	\$ 5,318
Investments (restricted)	<u>423,242</u>
Total Noncurrent Assets	<u>\$ 428,560</u>
Total Assets	<u><u>\$ 9,944,524</u></u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts payable	\$ <u>888</u>
Total Liabilities	<u>\$ 888</u>
Net Assets	
Unrestricted	\$ 9,515,076
Temporarily restricted	<u>428,560</u>
Total Net Assets	<u>\$ 9,943,636</u>
Total Liabilities and Net Assets	<u><u>\$ 9,944,524</u></u>

The accompanying notes are an integral part of these financial statements.

Twin County Community Foundation
Statement of Activities
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Investment income and dividends	\$ 53,859	\$ 177,703	\$ 231,562
Interest income	2,233	1	2,234
Unrealized and realized gains (losses) on investments	381,675	153,500	535,175
Contributions and donations	3,508,805	650	3,509,455
Net assets released from restriction	<u>5,570,507</u>	<u>(5,570,507)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>\$ 9,517,079</u>	<u>\$ (5,238,653)</u>	<u>\$ 4,278,426</u>
Expenses			
Program Expenses			
Scholarships	\$ 1,000	\$ -	\$ 1,000
Bereavement Camp expense	1,305	-	1,305
Supporting Services			
Management and General			
Professional fees	7,712	-	7,712
Bank and investment fees	26,193	-	26,193
Postage expense	113	-	113
Contract labor	8,431	-	8,431
Insurance expense	1,223	-	1,223
Meeting expense	586	-	586
Office expense	3,541	-	3,541
Other expense	<u>1,263</u>	<u>-</u>	<u>1,263</u>
Total Expenses	<u>\$ 51,367</u>	<u>\$ -</u>	<u>\$ 51,367</u>
Change in net assets	\$ 9,465,712	\$ (5,238,653)	\$ 4,227,059
Net Assets, beginning of year	<u>49,364</u>	<u>5,667,213</u>	<u>5,716,577</u>
Net Assets, end of year	<u>\$ 9,515,076</u>	<u>\$ 428,560</u>	<u>\$ 9,943,636</u>

The accompanying notes are an integral part of these financial statements.

Twin County Community Foundation
Statement of Cash Flows
Year Ended September 30, 2017

<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>	
Change in net assets	\$ 4,227,059
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Less realized and unrealized gains on investments	(535,175)
(Decrease)/Increase in accounts payable/accrued expenses	<u>81</u>
Net cash provided by (used for) operating activities	<u>\$ 3,691,965</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>	
Purchase of investments	\$ (5,229,744)
Sale of investments	<u>1,657,027</u>
Net cash provided by (used for) investing activities	<u>\$ (3,572,717)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	\$ 119,248
<i>Cash and cash equivalents, October 1, 2016</i>	<u>90,979</u>
<i>Cash and cash equivalents, September 30, 2017</i>	<u><u>\$ 210,227</u></u>

The accompanying notes are an integral part of these financial statements.

Twin County Community Foundation
Notes to Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Nature of Activities:

Twin County Community Foundation (the Foundation) was organized to improve the health, welfare, and education of the residents of the service areas of the former Twin County Community Hospital. The Foundation was established with donated funds from the sale of the Twin County Community Hospital (a non-profit concern). The Foundation is governed by a self-perpetuating Board of Directors, serving staggered terms.

B. Basis of Accounting:

The Foundation maintains its assets and liabilities, and records its income and expenses by use of the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

C. Financial Statement Presentation:

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

D. Property and Equipment:

Property and equipment acquired by the Foundation are considered to be owned by the Foundation. The Foundation follows the practice of capitalizing all expenditures for property, furniture, fixtures, and office equipment in excess of \$1,000 at cost. Donations of property and equipment, if any, are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation on assets is computed on a straight-line basis over the estimated useful lives of the assets. As of September 30, 2017 and for the year then ended, the Foundation did not hold any depreciable property meeting the aforementioned capitalization policy.

Twin County Community Foundation
Notes to Financial Statements
September 30, 2017 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Investments:

Marketable securities are reported at fair value based upon quoted market prices or, when quotes are not available, are valued on the basis of comparable financial instruments. Donated securities are recorded at their fair value at the date of donation. Realized and unrealized investment gains and losses are determined by comparison of specific costs of acquisition to net proceeds received at the time of disposal or changes in the difference between fair market value and cost, respectively. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

F. Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in banks, and highly liquid investments with an initial maturity of three months or less. At year end, cash and cash equivalents included money market funds of \$118,147.

G. Income Taxes:

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore no provision for Federal income taxes has been reported in the accompanying financial statements. A form 990 as required by the Internal Revenue Service has been filed for the year ended September 30, 2017.

H. Use of 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.

NOTE 2 - INVESTMENTS:

Fair values of assets measured on a recurring basis at September 30, 2017 are as follows:

	<u>Cost (Basis)</u>	<u>Fair Value or Estimated Value</u>
Bond Funds	\$ 2,210,142	\$ 2,192,962
Fixed Income Securities (Certificates of Deposit)	749,909	749,550
Equity Mutual Funds and ETFs	6,210,656	6,791,785
	<hr/>	<hr/>
Total	\$ 9,170,707	\$ 9,734,297
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Twin County Community Foundation
Notes to Financial Statements
September 30, 2017 (Continued)

NOTE 2 - INVESTMENTS: (Continued)

The following summarizes investment return and its classification in the statement of activities for the year ended September 30, 2017:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Dividends and investment income	\$ 53,859	\$ 177,703	\$ -	\$ 231,562
Interest income	2,233	1	-	2,234
Realized gains (losses) on investments	136,678	(64,437)	-	72,241
Unrealized gains (losses) on investments	244,997	217,937	-	462,934
Total investment return	<u>\$ 437,767</u>	<u>\$ 331,204</u>	<u>\$ -</u>	<u>\$ 768,971</u>

NOTE 3 - FAIR VALUES MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- 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 prices for similar asset and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**Twin County Community Foundation
Notes to Financial Statements
September 30, 2017 (Continued)**

NOTE 3 - FAIR VALUES MEASUREMENTS: (Continued)

The Foundation is providing the following information related to its investments:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 9,734,297	\$ 9,734,297	\$ -	\$ -
Money Market Funds	118,147	118,147	-	-
Totals	\$ 9,852,444	\$ 9,852,444	\$ -	\$ -

NOTE 4 - ENDOWMENT:

The Foundation's endowment consist of proceeds from the sale of the Twin County Community Hospital, which included certain donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Foundation Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Twin County Community Foundation have 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 the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 that standard. In accordance with that standard, 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, and (6) other resources of the Foundation.

**Twin County Community Foundation
Notes to Financial Statements
September 30, 2017 (Continued)**

NOTE 4 - ENDOWMENT: (Continued)

Endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>Net Assets</u>
Restricted funds	\$ -	\$ 428,560	\$ 428,560
Unrestricted funds	9,515,076	-	9,515,076
Total Funds	<u>\$ 9,515,076</u>	<u>\$ 428,560</u>	<u>\$ 9,943,636</u>

Changes in endowment net assets as of September 30, 2017 are as follow:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>Net Assets</u>
Endowment net assets, October 1, 2016	\$ 49,364	\$ 5,667,213	\$ 5,716,577
Investment income	56,092	177,704	233,796
Appreciation	381,675	153,500	535,175
Contributions	3,508,805	650	3,509,455
Amounts released from restrictions	5,519,140	(5,519,140)	-
Amounts appropriated for expenditure	51,367	(51,367)	-
Expenditures	(51,367)	-	(51,367)
Endowment net assets, September 30, 2017	<u>\$ 9,515,076</u>	<u>\$ 428,560</u>	<u>\$ 9,943,636</u>

The Foundation received a temporarily restricted contribution of \$5,000,000 during a prior fiscal year. The contribution was provided with certain donor imposed restrictions that were in effect until April 1, 2017. On that date, the contribution including any earnings thereon was released from restriction.

As of fiscal year end, the Board has not adopted spending policies and/or investment policies regarding endowment funds; however, the Board is in the process of developing these policies.

NOTE 5 - RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets at September 30, 2017 are restricted for the following purposes:

Hospice programs	\$ 384,652
Scholarships	43,908
Total	<u>\$ 428,560</u>

Twin County Community Foundation
Notes to Financial Statements
September 30, 2017 (Continued)

NOTE 6 - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution.

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Foundation has evaluated events and transactions for potential recognition or disclosure through January 24, 2018, the date the financial statements were available to be issued.