

TWIN COUNTY COMMUNITY FOUNDATION

FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2020

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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, 2020, 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, 2020, 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
April 2, 2021

FINANCIAL STATEMENTS

Twin County Community Foundation
Statement of Financial Position
September 30, 2020

Assets

Current Assets:

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 336,678 |
| Investments | <u>10,548,464</u> |
| Total Current Assets | <u>\$ 10,885,142</u> |

Noncurrent Assets:

| | |
|--------------------------|------------------|
| Investments (restricted) | \$ <u>24,233</u> |
| Total Noncurrent Assets | <u>\$ 24,233</u> |

| | |
|--------------|----------------------|
| Total Assets | <u>\$ 10,909,375</u> |
|--------------|----------------------|

Liabilities

Current Liabilities:

| | |
|---|-----------------|
| Payroll liabilities and accounts payables | \$ <u>1,266</u> |
| Total Current Liabilities | <u>\$ 1,266</u> |

| | |
|-------------------|-----------------|
| Total Liabilities | <u>\$ 1,266</u> |
|-------------------|-----------------|

Net Assets

| | |
|---------------------------------------|---------------|
| Net assets without donor restrictions | \$ 10,883,876 |
| Net assets with donor restrictions | <u>24,233</u> |

| | |
|------------------|----------------------|
| Total Net Assets | <u>\$ 10,908,109</u> |
|------------------|----------------------|

| | |
|----------------------------------|----------------------|
| Total Liabilities and Net Assets | <u>\$ 10,909,375</u> |
|----------------------------------|----------------------|

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

Twin County Community Foundation
Statement of Activities
Year Ended September 30, 2020

| | <u>Without</u> | <u>With</u> | <u>Total</u> |
|---|---------------------------|---------------------------|----------------------|
| | <u>Donor Restrictions</u> | <u>Donor Restrictions</u> | |
| Revenues, Gains, and Other Support | | | |
| Investment income and dividends, net of investment fees | \$ 239,935 | \$ 698 | \$ 240,633 |
| Interest income | 3,371 | - | 3,371 |
| Unrealized and realized gains (losses) on investments | 546,398 | 789 | 547,187 |
| Contributions and donations | 1,015 | - | 1,015 |
| Net assets released from restriction | 448,105 | (448,105) | - |
| | <u>1,238,824</u> | <u>(446,618)</u> | <u>792,206</u> |
| Total Revenues, Gains, and Other Support | \$ 1,238,824 | \$ (446,618) | \$ 792,206 |
| Expenses | | | |
| Program Services | | | |
| Health, Welfare, and Educational Programs | | | |
| Scholarships | \$ 6,418 | \$ - | \$ 6,418 |
| Grants | 348,101 | - | 348,101 |
| Supporting Services | | | |
| Management and General | | | |
| Salaries and benefits | 23,991 | - | 23,991 |
| Professional fees | 7,936 | - | 7,936 |
| Dues | 640 | - | 640 |
| Rent expense | 1,896 | - | 1,896 |
| Postage expense | 169 | - | 169 |
| Insurance expense | 1,432 | - | 1,432 |
| Meeting expense | 200 | - | 200 |
| Office expense | 1,739 | - | 1,739 |
| Other expense | 567 | - | 567 |
| | <u>393,089</u> | <u>-</u> | <u>393,089</u> |
| Total Expenses | \$ 393,089 | \$ - | \$ 393,089 |
| Change in net assets | \$ 845,735 | \$ (446,618) | \$ 399,117 |
| Net Assets, beginning of year | <u>10,038,141</u> | <u>470,851</u> | <u>10,508,992</u> |
| Net Assets, end of year | <u>\$ 10,883,876</u> | <u>\$ 24,233</u> | <u>\$ 10,908,109</u> |

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

Twin County Community Foundation
Statement of Cash Flows
Year Ended September 30, 2020

| | |
|---|--------------------------|
| <i>CASH FLOWS FROM OPERATING ACTIVITIES:</i> | |
| Change in net assets | \$ 399,117 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | |
| Realized and unrealized gains on investments | (547,187) |
| (Decrease)/Increase payroll liabilities | <u>159</u> |
| Net cash provided by (used for) operating activities | <u>\$ (147,911)</u> |
| <i>CASH FLOWS FROM INVESTING ACTIVITIES:</i> | |
| Purchase of investments | \$ (13,029,396) |
| Sale of investments | <u>13,166,115</u> |
| Net cash provided by (used for) investing activities | <u>\$ 136,719</u> |
| <i>Net increase (decrease) in cash and cash equivalents</i> | \$ (11,192) |
| <i>Cash and cash equivalents, October 1, 2019, including restricted of \$1,778</i> | <u>347,870</u> |
| <i>Cash and cash equivalents, September 30, 2020</i> | <u><u>\$ 336,678</u></u> |

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

**Twin County Community Foundation
Notes to Financial Statements
September 30, 2020**

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 organization). 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 reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. At September 30, 2020, the Foundation had net assets without donor restriction of \$10,883,876.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation as well as net assets whose use is limited by donor-imposed time and/or purpose restrictions. At September 30, 2020, the Foundation had net assets with donor restrictions of \$24,233 related to scholarships.

**Twin County Community Foundation
Notes to Financial Statements
September 30, 2020 (Continued)**

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

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, 2020 and for the year then ended, the Foundation did not hold any depreciable property meeting the aforementioned capitalization policy.

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 \$71,053.

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, 2020.

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.

**Twin County Community Foundation
Notes to Financial Statements
September 30, 2020 (Continued)**

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

I. Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Foundation has no fundraising expense. The Foundation directly charges expenses to various functions.

NOTE 2 - INVESTMENTS:

Fair values of assets measured on a recurring basis at September 30, 2020 are as follows:

| | <u>Cost (Basis)</u> | <u>Fair Value or Estimated Value</u> |
|---|---------------------|--|
| Bond Funds | \$ 3,756,809 | \$ 3,339,977 |
| Fixed Income Securities (Certificates of Deposit) | 839,999 | 840,014 |
| Equity Mutual Funds and ETFs | 5,257,253 | 6,392,706 |
| | <hr/> | <hr/> |
| Total | \$ 9,854,061 | \$ 10,572,697 |

The following summarizes investment return and its classification in the statement of activities for the year ended September 30, 2020:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|--------------|
| Dividend and investment income | \$ 271,810 | \$ 998 | \$ 272,808 |
| Investment fees | (31,875) | (300) | (32,175) |
| Interest income | 3,371 | - | 3,371 |
| Realized gains(losses) on investments | 561,334 | 159 | 561,493 |
| Unrealized gains(losses) on investments | (14,936) | 630 | (14,306) |
| | <hr/> | <hr/> | <hr/> |
| Net investment return | \$ 789,704 | \$ 1,487 | \$ 791,191 |

**Twin County Community Foundation
Notes to Financial Statements
September 30, 2020 (Continued)**

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 (unadjusted) 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.

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

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) |
|--------------------|-------------------|--|
| Investments | \$ 10,572,697 | \$ 10,572,697 |
| Money Market Funds | 71,053 | 71,053 |
| Totals | \$ 10,643,750 | \$ 10,643,750 |

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at September 30, 2020 are restricted for the following purposes:

| | |
|--------------|-----------|
| Scholarships | \$ 24,233 |
|--------------|-----------|

Twin County Community Foundation
Notes to Financial Statements
September 30, 2020 (Continued)

NOTE 5 - CONCENTRATION OF CREDIT RISK:

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

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while attempting to maximize the investment of its excess operating cash. The Foundation has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

| | |
|---|----------------------|
| | <u>2020</u> |
| Cash and cash equivalents | \$ 336,678 |
| Investments | 10,548,464 |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 10,885,142</u> |

The Foundation does not have a formal policy related to investing excess cash and maintaining balances but strives to maintain cash and cash equivalents balances to cover approximately three months of expenses at all times.

NOTE 7 - DATE OF MANAGEMENT'S REVIEW:

In preparing these financial statements, management of the Foundation has evaluated events and transactions for potential recognition or disclosure through April 2, 2021 the date the financial statements were available to be issued.

NOTE 8 - SUBSEQUENT EVENTS:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.