

**CENTRAL ALABAMA COMMUNITY
FOUNDATION, INC.**

**Consolidated Financial Statements
for the year ended
December 31, 2014**

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Central Alabama Community Foundation, Inc.
Montgomery, Alabama

We have audited the accompanying consolidated financial statements of Central Alabama Community Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and the related consolidated statements of activities, functional expenses, 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.

Auditor's 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 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 and 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 the Central Alabama Community Foundation, Inc. as of December 31, 2014, 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.

Parker, Hill, Lisen
& Stevenson, P.C.

Montgomery, Alabama
July 24, 2015

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Consolidated Statement of Financial Position
December 31, 2014

Assets

| | |
|---|---------------|
| Cash and cash equivalents | \$ 9,968,907 |
| Investment in marketable securities | 41,353,046 |
| Investments under split interest trust agreements | 1,113,656 |
| Accounts receivable | 991 |
| Furniture and equipment | 37,532 |
| Less accumulated depreciation | (22,809) |
| Land held for investment | 617,241 |
| Personal property held for investment | 7,067 |
| | <hr/> |
| Total assets | \$ 53,075,631 |

Liabilities and Net Assets

| | |
|---|------------------|
| Accounts payable | \$ 791 |
| Payroll liabilities | 655 |
| Capitalized lease obligations | 9,468 |
| Funds held as agent | 885,896 |
| Liabilities under split interest trust agreements | 359,056 |
| Total liabilities | <hr/> 1,255,866 |
| Net assets | |
| Unrestricted | 39,462,223 |
| Temporarily restricted | 6,555,184 |
| Permanently restricted | 5,802,358 |
| Total net assets | <hr/> 51,819,765 |
| | <hr/> |
| Total liabilities and net assets | \$ 53,075,631 |

See notes to financial statements.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Consolidated Statement of Activities
For the year ended December 31, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|---------------------------|---------------------------|-------------------|
| Support and revenue | | | | |
| Contributions | \$ 6,456,244 | \$ 162,334 | \$ 397,638 | \$ 7,016,216 |
| Investment income | 4,969,650 | 499,793 | - | 5,469,443 |
| Special events | 27,408 | - | - | 27,408 |
| Change in value of split interest agreements | - | 67,857 | - | 67,857 |
| Net assets released from restrictions | 554,416 | (554,416) | - | - |
| Total support and revenue | 12,007,718 | 175,568 | 397,638 | 12,580,924 |
| Expenses | | | | |
| Program | 3,957,679 | - | - | 3,957,826 |
| Management and general | 157,599 | - | - | 157,599 |
| Fund raising | 76,679 | - | - | 76,679 |
| Total expenses | 4,191,957 | - | - | 4,191,957 |
| Increase in net assets | 7,815,761 | 175,568 | 397,638 | 8,388,967 |
| Net assets at beginning of year | 31,646,462 | 6,379,616 | 5,404,720 | 43,430,798 |
| Net assets at end of year | \$ 39,462,223 | \$ 6,555,184 | \$ 5,802,358 | \$ 51,819,765 |

See notes to financial statements.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Consolidated Statement of Cash Flows
For the year ended December 31, 2014

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Increase in net assets | \$ 8,388,967 |
| Adjustments to reconcile increase in net assets to net cash provided by operations | |
| Depreciation | 7,087 |
| Unrealized gain on investments | (3,716,723) |
| Non-cash contributions | (600,394) |
| Realized gain on investments | (877,954) |
| Decrease in accounts receivable | 8,403 |
| Decrease in funds held as agent | (329,423) |
| Decrease in accounts payable | (8,172) |
| Decrease in payroll liabilities | (174) |
| Net cash provided by operating activities | <u>2,871,617</u> |
| Cash flows from investing activities: | |
| Purchase of furniture and equipment | 970 |
| Decrease in certificates of deposit | (161,980) |
| Proceeds from sale of investments | 1,906,527 |
| Purchases of investments | (3,376,218) |
| Net cash provided by investing activities | <u>(1,630,701)</u> |
| Cash flow from financing activities: | |
| Decrease in capitalized lease obligations | <u>(3,259)</u> |
| Net increase in cash | 1,237,657 |
| Cash and cash equivalents at beginning of year | <u>8,731,250</u> |
| Cash and cash equivalents at end of year | <u>\$ 9,968,907</u> |
| Supplemental information for cash flows: | |
| Interest paid | <u>\$ 3,647</u> |
| Taxes paid | <u>\$ -0-</u> |

See notes to financial statements.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Consolidated Statement of Functional Expenses
For the year ended December 31, 2014

| | <u>Program</u> | <u>Management and General</u> | <u>Fund Raising</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------------|---------------------|
| Grants and scholarships | \$ 3,141,509 | \$ - | \$ - | \$ 3,141,509 |
| Salaries | 114,961 | 95,429 | 52,500 | 262,890 |
| Payroll taxes | 9,124 | 7,574 | 4,167 | 20,865 |
| Bank charges | - | 2,350 | - | 2,350 |
| Interest expense | 3,647 | - | - | 3,647 |
| Trustee fees and manage- ment commissions | 632,714 | - | - | 632,714 |
| Insurance | 17,018 | 3,002 | - | 20,020 |
| Depreciation | - | 7,087 | - | 7,087 |
| Rent | 10,735 | 8,912 | 4,903 | 24,550 |
| Utilities | 2,226 | 1,752 | 847 | 4,825 |
| Office supplies and expenses | 12,579 | 10,442 | 5,744 | 28,765 |
| Development | 4,987 | - | - | 4,987 |
| Professional fees | - | 9,635 | - | 9,635 |
| Repairs and maintenance | 277 | 229 | 126 | 632 |
| Miscellaneous | - | 140 | - | 140 |
| Printing | 2,646 | - | - | 2,646 |
| Meeting expense | - | 1,691 | - | 1,691 |
| Dues and subscriptions | 64 | 63 | - | 127 |
| Other taxes | 200 | - | - | 200 |
| Equipment rental | 528 | - | - | 528 |
| Postage | - | 3,485 | - | 3,485 |
| Professional development | - | 120 | - | 120 |
| Community initiatives | 4,269 | - | - | 4,269 |
| Special events | - | - | 8,392 | 8,392 |
| Telephone | - | 5,688 | - | 5,688 |
| Advertising | 195 | - | - | 195 |
| | <u>\$ 3,957,679</u> | <u>\$ 157,599</u> | <u>\$ 76,679</u> | <u>\$ 4,191,957</u> |

See notes to financial statements.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements
For the year ended December 31, 2014

NOTE 1 - Summary of significant accounting policies

Organization

Central Alabama Community Foundation, Inc. is a tax exempt, nonprofit corporation organized to solicit contributions from individuals, organizations and corporations and to provide support to various organizations in the community from those contributions and their related earnings.

Consolidated financial statements

The financial statements include the amounts of the Organization and its wholly owned subsidiaries, Wilbur Johnson Fund, LLC and CACF Acquisition Co., LLC. All significant intercompany transactions and accounts have been eliminated.

Basis of accounting

These financial statements are prepared on the accrual basis of accounting; consequently, certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

The consolidated financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets - permanently restricted, temporarily restricted and unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) or donor imposed restrictions placed on net assets (i.e., the donor gift stipulates a matching gift by the Foundation) are reported as reclassifications between the applicable classes of net assets.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 1 - Summary of significant accounting policies (continued)

Basis of accounting (continued)

Certain funds have been designated by the Board of Directors for certain purposes. These funds have appropriately been included within the unrestricted net asset classification.

Contributions with restrictions met in the same year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Accounting estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property and equipment

Fixed assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciable assets are being depreciated by the straight-line method over their estimated useful lives of three to forty years.

Contributed assets

Contributions of noncash assets are recorded at their fair values on the date received.

Tax status

The Organization is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Based on authoritative guidance related to accounting for uncertainty in income taxes (FASB Accounting Standards Codification 740-10-50), no amounts have been accrued for excise or unrelated business income tax, interest or penalties at December 31, 2014.

Funds held as agent

The Organization acts as fiscal agent for several other organizations. The funds of these organizations are classified on the consolidated statement of financial position as a liability.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 1 – Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, checking accounts, interest-bearing money market accounts and certificates of deposit with initial maturities not exceeding three months. Included in cash and cash equivalents is \$7,526,257 in money market funds that are a part of the Organization's investments.

Advertising costs

Costs for advertising are expensed when incurred.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on determinations by management.

NOTE 2 – Concentrations

The Organization maintains its cash in various bank deposit accounts, which, at December 31, 2014, were in excess of the FDIC insured amounts by \$2,123,879. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risks on cash and cash equivalents.

NOTE 3 – Investment securities

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position using Level I inputs. Level I inputs are the quoted prices available in active markets for identical investments as of the reporting date. Marketable investments, including publicly traded investments such as stocks, mutual funds, and exchange traded funds that trade on an active exchange are classified within Level I. Unrealized gains and losses are included in changes in net assets. The specific identification method is used to determine the cost of the securities sold.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 3 - Investment securities (continued)

Investments in marketable securities at December 31, 2014 consist of the following:

| | <u>Fair Value</u> | <u>Unrealized Gain/(Loss)</u> |
|-------------------------|----------------------|-----------------------------------|
| Common stock | \$ 7,433,375 | \$ 3,612,282 |
| Preferred stock | 93,920 | 15,800 |
| Corporate bonds | 11,460,983 | 341,575 |
| Mutual funds | 21,601,119 | (163,375) |
| Certificates of deposit | 743,125 | - |
| Other funds | 20,524 | - |
| | <u>\$ 41,353,046</u> | <u>\$ 3,806,282</u> |

NOTE 4 - Investment income

Investment income for the year ended December 31, 2014 is comprised of the following:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Interest and dividends | \$ 632,874 | \$ 241,892 | \$ - | \$ 874,766 |
| Net realized gain on marketable securities | 677,414 | 200,540 | - | 877,954 |
| Net unrealized gain (loss) on investment land | (100,019) | 10,460 | - | (89,559) |
| Net unrealized gain on marketable securities | <u>3,759,381</u> | <u>46,901</u> | <u>-</u> | <u>3,806,282</u> |
| Total investment Income | <u>\$ 4,969,650</u> | <u>\$ 499,793</u> | <u>\$ -</u> | <u>\$ 5,469,443</u> |

The Organization considers investment income attributable to permanently restricted net assets as temporarily restricted until distributed.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 5 - Investment land

Land held for investment is reported at fair value using Level II inputs. Level II inputs are inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. The fair value of investment lands as of December 31, 2014 is \$617,241 and unrealized losses from the investment lands are \$89,559. Investment lands are shown on the statement of financial position at fair value.

NOTE 6 - Endowments

The Central Alabama Community Foundation's endowment pool includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management of the Organization has interpreted the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of contributions to the permanent endowment, (b) the value of subsequent contributions 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 temporary restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund;
2. Purpose of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. Possible effect of inflation and deflation;
5. Expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. Investment and spending policies of the Organization.

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 6 - Endowments (continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year 3.75 percent of its endowment fund's average fair value. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment Net Assets for the year ended December 31, 2014

| | Unrestricted Board Designated | Temporarily Restricted | Permanently Restricted | Total |
|--|-------------------------------------|---------------------------|---------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 24,248,916 | \$ 5,523,994 | \$ 5,404,720 | \$ 35,177,630 |
| Contributions | 5,904,634 | 162,333 | 561,498 | 6,628,465 |
| Investment return: | | | | |
| Investment income | 453,957 | 241,892 | - | 695,849 |
| Realized gain | 520,149 | 200,540 | - | 720,689 |
| Unrealized gain | 3,608,196 | 57,360 | - | 3,665,556 |
| Total investment return | <u>4,582,302</u> | <u>499,792</u> | <u>-</u> | <u>5,082,094</u> |
| Amounts appropriated for expenditure | (2,520,810) | (283,234) | - | (2,804,044) |
| Management fees and program expenses | <u>(254,818)</u> | <u>(146,254)</u> | <u>-</u> | <u>(401,072)</u> |
| Endowment of assets, end of year | <u>\$ 31,960,224</u> | <u>\$ 5,756,631</u> | <u>\$ 5,966,218</u> | <u>\$ 43,683,073</u> |

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 7- Interest in split interest trust agreements

The Organization is the remainder beneficiary of two charitable remainder trusts. Trust assets are reported at fair value in the same manner as investment securities. The liabilities payable to beneficiaries are adjusted annually through the Statement of Activities and are based on the Internal Revenue Service life expectancy tables.

NOTE 8 - Operating leases

Rent expense paid for the year ended December 31, 2014 was \$20,004. The Organization has subleased a portion of the office building and received rent payments of \$2,114, in 2014. The subleases have annual renewal options.

In June 2013, the Organization leased office space for a term of thirty-six months with monthly lease payments of \$1,667. The lease allows for extension of two additional years.

| | | |
|------|----|---------------|
| 2015 | \$ | 20,004 |
| 2016 | | <u>8,335</u> |
| | \$ | <u>28,339</u> |

NOTE 9 - CACF Acquisition Co., LLC

The Organization is the sole member of the CACF Acquisition Co., LLC, which was formed on May 10, 2001. The LLC's purpose is to acquire and hold real and personal property for investment purposes.

During the year ended December 31, 2014, the LLC had no significant transactions.

NOTE 10 - Capitalized Lease Obligations

The Organization began leasing two copiers under a capital lease agreement in October 2011. The following amounts are capitalized in the furniture and equipment and accumulated depreciation accounts at December 31, 2014:

| | | |
|-------------------------------|----|-----------------|
| Copiers | \$ | 17,062 |
| Less accumulated depreciation | | <u>(10,806)</u> |
| | \$ | <u>6,256</u> |

CENTRAL ALABAMA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements (continued)
For the year ended December 31, 2014

NOTE 10 - Capitalized Lease Obligations (continued)

Future minimum lease payments under the capital lease together with the present value of net minimum lease payments as of December 31, 2014 are as follows:

| | | |
|---|----|----------------|
| 2015 | \$ | 6,906 |
| 2016 | | <u>5,755</u> |
| Total minimum lease payments | | 12,661 |
| Less amount representing interest | | <u>(3,193)</u> |
| Present value of net minimum lease payments | \$ | <u>9,468</u> |

NOTE 11 - Subsequent event

Management has considered subsequent events through July 24, 2015, which is the date the financial statements were available for distribution.