

**COMMUNITY FOUNDATION OF GREENVILLE**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**



McKINLEY, COOPER & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Board of Directors  
Community Foundation of Greenville  
Greenville, South Carolina

We have audited the accompanying statement of financial position of the Community Foundation of Greenville as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Greenville as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McKinley, Cooper & Co., LLP*

April 21, 2009

COMMUNITY FOUNDATION OF GREENVILLE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2008

**ASSETS**

Cash and cash equivalents	\$ 5,698,452
Other accounts receivable	104,245
Expected collection under agreement with third parties	1,338,825
Assets held - charitable remainder trusts	969,863
Contributions receivable - charitable remainder trusts	273,882
Investments	23,332,438
Cash surrender value life insurance	187,217
Property and equipment, net	248,844
<b>Total assets</b>	<b>\$ 32,153,766</b>

**LIABILITIES**

Accounts payable	\$ 19,269
Obligations under agreement with third parties	1,338,825
Liability under unitrust agreements	683,917
Funds held for others	3,994,185
<b>Total liabilities</b>	<b>6,036,196</b>

**NET ASSETS**

Unrestricted	3,598,093
Temporarily restricted	12,945,770
Permanently restricted	9,573,707
<b>Total net assets</b>	<b>26,117,570</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,153,766</b>

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

COMMUNITY FOUNDATION OF GREENVILLE

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2008

<b>Changes in unrestricted net assets</b>	
Unrestricted revenues and other support	
Contributions	\$ 445,288
Investment income	1,057,522
Net gain (loss) on investments	(7,606,807)
Management fee	281,136
Net assets released from restrictions	<u>3,220,376</u>
Total unrestricted revenues and other support	<u>(2,602,485)</u>
Expenses	
Programs	
Grants and distributions	4,461,947
Supporting services	
Administrative expenses	988,012
Write-off of uncollectible trust	<u>1,247,720</u>
Total expenses	<u>6,697,679</u>
Decrease in unrestricted net assets	<u>(9,300,164)</u>
<b>Changes in temporarily restricted net assets</b>	
Contributions	5,190,716
Change in value of charitable remainder trusts	42,749
Net assets released from restrictions	<u>(3,220,376)</u>
Increase in temporarily restricted net assets	<u>2,013,089</u>
<b>Changes in permanently restricted net assets</b>	
Contributions	<u>548,916</u>
Increase in permanently restricted net assets	<u>548,916</u>
Change in net assets	(6,738,159)
<b>Net assets, beginning of year</b>	<u>32,855,729</u>
<b>Net assets, end of year</b>	<u>\$ 26,117,570</u>

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

COMMUNITY FOUNDATION OF GREENVILLE

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (6,738,159)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	5,085
Net (loss) on investments	(7,606,807)
Change in	
Assets held in trust	387,327
Other accounts receivable	(43,015)
Contributions receivable - charitable remainder trusts	(13,062)
Grants and accounts payable	(74,866)
Liabilities under trust	(342,316)
Funds held for others	<u>(1,467,941)</u>
<b>Net cash used by operating activities</b>	<u>(15,893,754)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(96,705)
Increase in cash surrender value life insurance	(273)
Net decrease in investments	<u>16,550,262</u>
<b>Net cash provided by investing activities</b>	<u>16,453,284</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	559,530
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>5,138,922</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 5,698,452</u>

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

## COMMUNITY FOUNDATION OF GREENVILLE

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2008

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Organization**

The Community Foundation of Greenville (the "Foundation") was established in 1956 as a charitable trust and changed to corporate form in 1971 to benefit Greenville County and the Greater Greenville Area. The Foundation manages and administers charitable funds and makes distributions to nonprofit organizations through a volunteer self-perpetuating Board of Directors. Based on the by-laws of the Foundation, the Board of Directors has the power to modify any condition or restriction on the distribution of funds for any specified charitable purpose or to any specified organization if in its sole judgment such condition or restriction becomes incapable of fulfillment, inconsistent with the charitable needs of the community, or unnecessary.

##### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **Income Taxes**

The Foundation is a public support organization under Section 509(a)(1) of the Internal Revenue Code and is exempt from federal and state income taxes.

##### **Cash and Cash Equivalents**

Cash and cash equivalents presented in the statement of cash flows represent cash on hand and demand deposits at financial institutions with a maturity of three months or less when purchased.

##### **Investments**

Investments are stated at fair value. Included in investments are cash and cash equivalents on deposit with money managers.

##### **Property and Equipment**

Property and equipment are reported at cost, if purchased, or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, primarily five years.

##### **Donated Assets**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

##### **Financial Statement Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, 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.

### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

### **Investment Policy**

The Foundation has adopted a policy whereby it limits the amount of income that may be utilized for operating or grant purposes to five percent of the trailing three-year average of the endowment's market value. This policy enables the Foundation to preserve and strengthen its endowment for the future.

### **Grants Policy**

Grants authorized but unpaid at yearend are reported as liabilities.

### **Donated Services**

No amounts have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and various committee assignments.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

### **NOTE 2 – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The Foundation maintains cash balances at a financial institution in excess of FDIC insured limits. Based on the credit rating of this institution, management believes there is no significant credit risk related to deposits.

### **NOTE 3 – INVESTMENTS**

Investments, carried at market value, at December 31 are as follows:

Temporarily restricted	
Money market funds	\$ 1,903,899
Corporate securities funds	1,575,370
Pooled investments	7,858,115
	<u>\$ 11,337,384</u>
Permanently restricted	
Money market funds	\$ 23,322
Pooled investments	11,971,732
	<u>\$ 11,995,054</u>

#### **NOTE 4 – WALTER D. JOHNSON, JR. TRUST**

The Foundation is the trustee for the Walter D. Johnson, Jr. Trust. This trust, which has assets of \$134,745, was established in order to make grants for education in the field of social services. In 2008, grants totaling \$7,709 were made. The assets of the Walter D. Johnson, Jr. Trust are not included in these financial statements.

#### **NOTE 5 – INTEREST IN LIMITED PARTNERSHIPS**

Temporarily restricted investments include the Foundation's 12.95% ownership interest in VAXA Capital Partners Limited Partnership and any contributions, losses and withdrawals or distributions to date. This ownership interest was transferred to the Foundation in October 2002 and was written off in 2008. At December 31, 2008 the value was \$0.

#### **NOTE 6 – BENEFICIAL INTEREST TRUST**

The Foundation is the beneficiary of a trust administered by a bank. The assets of the trust are not included in the Statement of Financial Position of the Foundation since the Foundation does not exercise any control over those funds. The income from the trust is distributed to the donor annually. The market value of the trust's assets at December 31, 2008 was \$123,012.

#### **NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2008 are summarized below:

Land	\$ 243,000
Equipment	51,748
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	294,748
Less: accumulated depreciation	45,904
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	\$ 248,844
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#### **NOTE 8 – OPERATING LEASES**

The Foundation has noncancelable operating leases for equipment that expire in 2009 and 2012. Rental expense for those leases was approximately \$8,982 for the year ended December 31, 2008.

Also, the Foundation has an agreement to lease office space through May 2012. Rental expense under this lease was \$31,161 in 2008.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2008 are:

2009	\$ 40,182
2010	39,116
2011	39,900
2012	17,636
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	\$ 136,834
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#### **NOTE 9 – EMPLOYEES' RETIREMENT SAVINGS PLAN**

The Foundation has a defined contribution retirement savings plan for all regular full-time employees who are a minimum of twenty-one years of age. Under the plan, employees may contribute up to 15% of their annual compensation. The Foundation also contributes 10% of the participants' compensation. The Foundation contributed \$31,333 to the Plan during the year ended December 31, 2008.

#### **NOTE 10 – CHARITABLE REMAINDER TRUSTS**

The Foundation administers various charitable remainder trusts which provide for the payment of distributions to designated beneficiaries over the trusts' term (usually the designated beneficiary's lifetime). At the end of the trusts' term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trusts are established. Assets held in the charitable remainder trusts totaled \$969,893 at December 31, 2008. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$683,917 at December 31, 2008) is calculated using a discount rate of 7% and applicable mortality tables.

Also, various donors have established trusts with local financial institutions, naming the Foundation as the beneficiary of charitable remainder trusts. Under the terms of the split-interest agreement, at the time of the donor's death, the trusts terminate and trust assets are distributed to the Foundation. Based on donor life expectancy and the use of a 7% discount rate, the present value of future benefits expected to be received by the Foundation is estimated to be \$273,882, which is reported as temporarily restricted net assets and a contribution receivable from charitable remainder trusts in 2008. The Foundation also recorded amortization of the discount on the estimated present value of future benefits of \$13,061 in 2008.

#### **NOTE 11 – FUNDS HELD FOR OTHERS**

The Foundation receives and distributes assets under certain agency and intermediary agreements. Amounts received and distributed under these agreements for 2008 totaled \$59,226 and \$124,818, respectively. Additionally, investment losses and expense for 2008 allocated to agency funds totaled \$1,357,069 and \$45,279, respectively. The related amounts received but not yet distributed totaled \$3,994,185 for 2008, and are included in funds held for others.

#### **NOTE 12 – COMMITMENTS**

The Foundation has granted conditional scholarships to thirteen students through 2010. The aggregate commitment under these agreements is approximately \$96,200 at December 31, 2008.

The Foundation made a conditional promise to give a not-for-profit organization up to \$100,000 per year for five years, 2006 through 2010. The Foundation's board must approve the gift each year. The recipient organization must submit each year detailed information on the governance, facility, operation, and budget. This conditional promise will be recorded annually when approved by the Foundation's board.

### **NOTE 13 – OBLIGATION UNDER AGREEMENT WITH THIRD PARTY**

During 2004, County Council of Greenville, South Carolina (the "County") requested that the Foundation's Board of Directors authorize the Foundation to enter into an arrangement, with a commercial bank serving the Greenville market, for the purpose of expediting the transfer of funds to several charitable organizations for use by the beneficiary organizations to enhance their charitable activities in the Greenville community. In conjunction with the County's request to the Foundation, the County approved certain appropriations of the County's local accommodations tax revenues to repay the debt which was expected to arise from the arrangement. As a result of the above noted request from the County, the Foundation executed a loan agreement and a non-recourse promissory note repayable to the bank bearing interest at the annual rate of 5.2% and repayable in quarterly payments of \$36,580 including interest through 2021. After the related documents were executed, the proceeds of the bank loan were disbursed by the Foundation to the beneficiary organizations in accordance with the request from the County.

As also evidenced by the loan agreement and the promissory note, the bank and the Foundation have agreed and each has acknowledged that the Foundation is obligated to repay the promissory note balance and accrued interest thereon only to the extent that the Foundation has received the necessary appropriation of local accommodations tax revenues therefore from the County. The beneficiary organizations have executed agreements whereby the beneficiary organizations individually will indemnify and hold harmless the Foundation with respect to this arrangement and each beneficiary organization has represented and warranted to the Foundation that it is a qualified public charity under the Internal Revenue Code.

The Foundation has included the unpaid balance of the promissory note in the Foundation's liabilities in the accompanying statements of financial position under *Obligations under agreement with third parties*. Further, to give effect to the amounts expected to be funded by the County to repay the unpaid principal, a corresponding asset in an amount equal to the unpaid principal balance of the promissory note is also included in the Foundation's assets and reported in the accompanying statements of financial position under *Expected collection under agreement with third parties*.

In the event, expected to be unlikely, that the County does not appropriate sufficient funds to repay the contractual principal and interest payment as such become due, the loan agreement and promissory note shall immediately terminate without penalty or expense to the Foundation of any kind whatsoever.

Future maturities of the promissory note are as follows:

2009	\$	78,267
2010		82,367
2011		86,735
2012		91,290
2013		96,212
Thereafter		903,954
	\$	<u>1,338,825</u>

### **NOTE 14 – CASH SURRENDER VALUE LIFE INSURANCE**

The Foundation is the owner and beneficiary of insurance policies on the lives of certain supporters of the Foundation with face amounts totaling \$2,175,000 at December 31, 2008. The cash surrender value of these policies amounted to \$187,217 at December 31, 2008.

**NOTE 15 – 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.