

FINANCIAL REPORT
REACH Georgia Foundation
Fiscal Year ended June 30, 2019
With Independent Auditor's Report

REACH Georgia Foundation

Financial Statements

Fiscal Year Ended June 30, 2019

Contents

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements.....	7 - 12



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
REACH Georgia Foundation
Tucker, Georgia**

We have audited the accompanying financial statements of the REACH Georgia Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related 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 controls 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 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 REACH Georgia Foundation as of June 30, 2019, 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.

Mauldin & Jenkins, LLC

Macon, Georgia
September 17, 2019

REACH Georgia Foundation
Statement of Financial Position

Fiscal Year Ended June 30, 2019

Assets

Cash and cash equivalents	\$ 213,803
Investments	28,910,845
Due from the Commission	<u>200,000</u>
Total Assets	<u>\$ 29,324,648</u>

Liabilities and Net Assets

Liabilities

Scholarships - Funds held for the Authority	<u>18,888,000</u>
Total Liabilities	<u>\$ 18,888,000</u>

Net Assets

Without donor restrictions	85,188
With donor restrictions	<u>10,351,460</u>
Total Net Assets	<u>\$ 10,436,648</u>

Total Liabilities and Net Assets	<u>\$ 29,324,648</u>
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See Notes to Financial Statements

REACH Georgia Foundation

Statement of Activities

Fiscal Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and other support:			
GSFA investment services	\$ 400,000	\$ -	\$ 400,000
REACH event sponsorships	31,783	-	31,783
Contributions	-	1,839,246	1,839,246
Interest income	-	49,142	49,142
Dividend income	-	503,652	503,652
Realized gain/loss on investments	-	522,367	522,367
Appreciation/depreciation on investments	-	756,405	756,405
Net assets released from restrictions	122,500	(122,500)	-
Total Revenues and Other Support	\$ 554,283	\$ 3,548,312	\$ 4,102,595
Expenses:			
Program services:			
Scholarships	\$ 122,500	\$ -	\$ 122,500
Supporting services:			
GSFA administrative services	400,000	-	400,000
General administrative expenses	1,548	-	1,548
Total Support Services	401,548	-	401,548
Fundraising expenses	31,783	-	31,783
Total Expenses	\$ 555,831	\$ -	\$ 555,831
Change in Net Assets	\$ (1,548)	\$ 3,548,312	\$ 3,546,764
Net assets, beginning of year	86,736	6,803,148	6,889,884
Net assets, end of year	\$ 85,188	\$ 10,351,460	\$ 10,436,648

See Notes to Financial Statements

REACH Georgia Foundation
Statement of Functional Expenses

Fiscal Year Ended June 30, 2019

	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Program Services</u>	<u>Total Expenses</u>
Office expenses	\$ 1,548	\$ 122	\$ -	\$ 1,670
Advertising and promotions	-	567	-	567
Insurance	-	572	-	572
Other expenses	-	30,522	-	30,522
Administrative services	400,000	-	-	400,000
Scholarships	-	-	122,500	122,500
Total Functional Expenses	<u>\$ 401,548</u>	<u>\$ 31,783</u>	<u>\$ 122,500</u>	<u>\$ 555,831</u>

See Notes to Financial Statements

REACH Georgia Foundation

Statement of Cash Flows

Fiscal Year Ended June 30, 2019

Cash flows from operating activities

Change in net assets:

Cash received from the Authority for investment services	\$	400,000
Cash received from the Authority/State appropriations		4,588,000
Cash received for donations		1,631,927
Cash received for fund raising event sponsorships		31,783
Cash paid to the Authority for administrative services		(400,000)
Cash paid to suppliers		(33,780)
Cash transferred to the Authority for scholarships		(122,500)
Cash transferred to Synovus Trust		(6,150,000)
Net cash used in operating activities	\$	(54,570)

Cash and cash equivalents, beginning of year		268,373
Cash and cash equivalents, end of year	\$	213,803

See Notes to Financial Statements

REACH Georgia Foundation
Notes to the Financial Statements
Fiscal Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The REACH Georgia Foundation (the “Foundation”) is a nonprofit organization that was formed to ensure that Georgia’s academically promising students have the academic, social and financial support needed to graduate from high school, access college and achieve postsecondary success. The REACH Georgia Program is the State of Georgia’s first needs-based mentorship and college scholarship program and the Foundation’s mission is to raise and invest funds.

The inaugural REACH Georgia Foundation Board was established in July 2015 and consists of 18 members, which can serve either a two or three year term. All corporate powers of the Foundation shall be managed under the direction of the Board of Directors.

A. Basis of Accounting

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

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board’s (FASB) Not-for-Profit Entities presentation and disclosure guidance. Accordingly, net assets are reported in the following two classes: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These assets may be used at the discretion of the Foundation’s management and board of directors.

Net assets with donor restrictions are created only by donor-imposed restrictions on their use. Donor restricted contributions are reported as increases in net assets with donor restrictions.

B. Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash

REACH Georgia Foundation
Notes to the Financial Statements
Fiscal Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

equivalents. The Foundation maintains cash and cash equivalent accounts at one high quality financial institution. From time to time, the Foundation's accounts may exceed the Federal Deposit Insurance Corporation limit of \$250,000. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk related to its cash and cash equivalents.

C. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

D. Other Liabilities

The Foundation has a Memorandum of Understanding with Georgia Student Finance Authority (the "Authority") to hold and invest funds to support the REACH Georgia Program. The Foundation agrees to serve as the fiscal manager of funds and provide the Authority with the standard services necessary for the management of such funds. All REACH scholarship contributions and funds held for this purpose on behalf of the Authority will be placed in an interest bearing account and may be invested in moderate risk investment vehicles of appropriate maturity to fund future scholarship obligations. In FY 2019, the Foundation has a recorded liability of funds held for the Authority of \$18,888,000.

E. Revenues

The Foundation receives donations from companies and individuals which are restricted for scholarships. Additionally, the Foundation entered into an agreement with the Georgia Student Finance Authority to serve as the investment manager of the Authority's appropriated scholarship funds. As of June 30, 2019, there were no conditional promises to give.

REACH Georgia Foundation
Notes to the Financial Statements

Fiscal Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, supporting services and fundraising expenses.

The supporting services incurred by the Foundation are those related to operating and the amounts paid to the Georgia Student Finance Authority for administrative services. As such, all are reported as management and general.

G. Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes under Internal Revenue Code Section 501(a). Accordingly, no provision for income taxes is included in these financial statements.

The Foundation files its form 990 in the U.S. federal jurisdiction and Georgia. The Foundation has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year, the Foundation believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

H. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)-*Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and available resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the period presented.

REACH Georgia Foundation
Notes to the Financial Statements

Fiscal Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Subsequent Events

Management has evaluated subsequent events through September 17, 2019, the date on which the financial statements were available to be issued.

NOTE 2. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenses, that is, without donor restrictions limiting their use, within one year of fiscal year end, comprise the following:

Cash and cash equivalents	\$ 85,265
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In FY 2016 the Foundation received revenues from the Authority for investment services, net administrative expenses, of \$91,663 used to fund general operating expenses. In subsequent years, no additional net revenues were received.

To meet general operating expenses over a 12-month period, the Foundation operates with a balanced budget and anticipates collecting sufficient revenues from investment income to cover such expenses. The Foundation's goal is generally to maintain financial assets for 12-months of operating expenses. The Foundation's governing board would designate a portion of the assets with donor restrictions to be released from restriction in the amount of the annual operating budget.

NOTE 3. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

REACH Georgia Foundation
Notes to the Financial Statements

Fiscal Year Ended June 30, 2019

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

Level 1	Unadjusted quoted prices for identical assets and liabilities in an active market that the Foundation has the ability to access.
Level 2	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3	Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level of input that is significant to the fair value measurements.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Investments –

Cash: Valued at carrying amount, which approximates fair value because of the short term maturity of these instruments.

Common stocks, corporate bonds, and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

REACH Georgia Foundation
Notes to the Financial Statements
Fiscal Year Ended June 30, 2019

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of June 30, 2019.

	Level 1	Total Market Value
Federated Government Obligations Fund	\$ 2,831,120	\$ 2,831,120
Equities	26,079,725	26,079,725
	\$ 28,910,845	\$ 28,910,845

NOTE 4. RELATED PARTY TRANSACTIONS

On August 5, 2015 the Foundation entered into an agreement with the Authority whereby the Authority contracted with the Foundation for certain services to further the purpose of the REACH Scholarship Program.

The Foundation agrees to solicit, receive, hold and invest funds to support the REACH Scholarship Program. The Foundation agrees to serve as the fiscal manager of such funds and provide the Authority with standard services necessary for the management of such funds. The Foundation received \$400,000 from the Authority for investment services provided in FY2019.

The Authority agrees to provide support for the general operation of the Foundation including services of the Director of Business Development, administrative support, office and meeting space, office furniture, technology equipment and support, accounting, banking, tax and audit support. The Foundation paid the Authority \$400,000 for administrative services provided in FY2019.

NOTE 5. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2019 were \$10,351,460 and were available and restricted for REACH scholarships. Net assets with donor restrictions include cash of \$128,539 and investments in the amount of \$10,222,921.