

OUTER BANKS COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

OUTER BANKS COMMUNITY FOUNDATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Outer Banks Community Foundation
Southern Shores, North Carolina

We have audited the accompanying financial statements of Outer Banks Community Foundation "(the Foundation)", (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - cash basis as of December 31, 2018, and the related statements of support, revenue, and expenses-cash basis, 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 the cash basis of accounting as described in Note 2; this includes determining the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 assurance about whether the financial statements are free of 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 Foundation'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 Foundation'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 assets, liabilities, and net assets of Outer Banks Community Foundation as of December 31, 2018, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to the Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements as of December 31, 2017 were audited by Johnson, Mizelle, Straub, & Murphy, LLP, and whose report dated June 8, 2018, expressed an unmodified opinion on those statements.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, Virginia
June 27, 2019

OUTER BANKS COMMUNITY FOUNDATION

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS-CASH BASIS
DECEMBER 31, 2018 AND 2017**

	ASSETS	
	2018	Restated 2017
ASSETS		
Cash and cash equivalents	\$ 197,740	\$ 209,978
Sales tax receivable	372	425
Investments	15,767,782	17,127,151
Property and equipment - net	295,305	299,182
TOTAL ASSETS	\$ 16,261,199	\$ 17,636,736
LIABILITIES AND NET ASSETS		
LIABILITIES		
Other payables	\$ -	\$ 131
Funds held as agency endowments	1,028,867	877,065
Total liabilities	\$ 1,028,867	\$ 877,196
NET ASSETS		
Undesignated	\$ 6,106,903	\$ 6,824,989
Designated	7,801,280	8,478,856
Without donor restrictions	13,908,183	15,303,845
With donor restrictions	1,324,149	1,455,695
Total net assets	\$ 15,232,332	\$ 16,759,540
TOTAL LIABILITIES AND NET ASSETS	\$ 16,261,199	\$ 17,636,736

See independent auditor's report and accompanying notes to the financial statements.

OUTER BANKS COMMUNITY FOUNDATION

**STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES-CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Restated Comparative 2017 Total
REVENUE AND SUPPORT				
Contributions	\$ 692,259	\$ 13,392	\$ 705,651	\$ 1,712,433
Membership and Undesignated Gifts	57,725	-	57,725	70,971
Other income	-	-	-	8,441
Net assets released from restrictions	37,300	(37,300)	-	-
Total revenue and support	<u>\$ 787,284</u>	<u>\$ (23,908)</u>	<u>\$ 763,376</u>	<u>\$ 1,791,845</u>
OPERATING EXPENSES				
Program services	\$ 662,690	\$ -	\$ 662,690	\$ 705,047
Management and general	86,042	-	86,042	79,299
Fundraising	80,806	-	80,806	81,525
Total operating expenses	<u>\$ 829,538</u>	<u>\$ -</u>	<u>\$ 829,538</u>	<u>\$ 865,871</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	<u>\$ (42,254)</u>	<u>\$ (23,908)</u>	<u>\$ (66,162)</u>	<u>\$ 925,974</u>
NONOPERATING ACTIVITIES				
Interest, dividends and capital gains	\$ 594,244	\$ 43,585	\$ 637,829	\$ 509,926
Realized gain (loss) on investments	(8,343)	(609)	(8,952)	8,480
Unrealized gain (loss) on investments	(1,879,653)	(150,614)	(2,030,267)	1,625,631
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>\$ (1,293,752)</u>	<u>\$ (107,638)</u>	<u>\$ (1,401,390)</u>	<u>\$ 2,144,037</u>
CHANGES IN NET ASSETS	<u>\$ (1,336,006)</u>	<u>\$ (131,546)</u>	<u>\$ (1,467,552)</u>	<u>\$ 3,070,011</u>
NET ASSETS, BEGINNING OF YEAR	15,303,845	1,455,695	16,759,540	13,689,529
PRIOR PERIOD ADJUSTMENT	<u>(59,656)</u>	<u>-</u>	<u>(59,656)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u><u>\$ 13,908,183</u></u>	<u><u>\$ 1,324,149</u></u>	<u><u>\$ 15,232,332</u></u>	<u><u>\$ 16,759,540</u></u>

See independent auditor's report and accompanying notes to the financial statements.

OUTER BANKS COMMUNITY FOUNDATION

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>PROGRAM</u>		<u>SUPPORTING ACTIVITIES</u>		2018 Total	Comparative 2017 Total
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>		
	Program Services	Management and General	Fund Raising	Fund Raising		
Salaries	\$ 47,858	\$ 55,363	\$ 46,701	\$ 46,701	\$ 149,922	\$ 141,151
Employee benefits	6,808	7,473	6,876	6,876	21,157	20,856
Payroll taxes	3,524	4,150	3,493	3,493	11,167	10,453
Mileage	696	824	724	724	2,244	2,610
Total salaries and related expenses	\$ 58,886	\$ 67,810	\$ 57,794	\$ 57,794	\$ 184,490	\$ 175,070
Community grants	431,049	-	-	-	431,049	484,549
Scholarships awarded	148,024	-	-	-	148,024	143,010
Office operations	12,995	8,978	10,234	10,234	32,207	24,554
Accounting	2,400	2,400	2,400	2,400	7,200	7,671
Nonprofit workshops and events	3,464	1,375	1,173	1,173	6,012	7,102
Publications	1,358	-	2,866	2,866	4,224	7,446
Dues	2,262	995	848	848	4,105	5,335
Depreciation	1,298	1,392	1,187	1,187	3,877	3,877
Membership development	-	-	3,317	3,317	3,317	3,780
Board expenses	684	733	625	625	2,042	668
Insurance	-	1,683	-	-	1,683	1,218
Conference expenses	270	676	362	362	1,308	1,591
Total expenses	\$ 662,690	\$ 86,042	\$ 80,806	\$ 80,806	\$ 829,538	\$ 865,871

See independent auditor's report and accompanying notes to the financial statements.

OUTER BANKS COMMUNITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

The Outer Banks Community Foundation, Inc. "(the Foundation)" is a North Carolina non-profit organization. Its purpose is to help meet local needs across Dare County and the entire Outer Banks. The Foundation encourages contributions for those needs as well as manages charitable funds for individuals and agencies, and targets grants and scholarships toward the Outer Banks' most pressing needs and promising opportunities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying financial statements have been prepared on the cash basis of accounting. Under this basis, revenues are recognized when collected rather than when pledged, and expenditures are recognized with paid rather than when incurred, a provision for depreciation of property and equipment has been included. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Foundation solicits a variety of contributions to fund its grants including donor advised funds. Donor advised funds allow for the donor to recommend distributions to Foundation beneficiaries or other charitable organizations approved by the Foundation. Although the Foundation generally fulfills the donor's recommendation, use of donor advised funds are subject to approval by the Foundation's management and are therefore classified as net assets without donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other time or purpose 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 and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. Donations are reported as support without restrictions unless the donor has restricted the asset to a specific purpose. Property and equipment with a life over five years and a value over \$5,000 is depreciated over the estimated useful life of the asset using the straight-line method. Estimated useful lives of equipment are as follows:

Property	31.5 years
Furniture and equipment	5 years

Depreciation expense for 2018 and 2017 amounted to \$3,877.

Investments

The Foundation records investments at fair market value based on quoted prices in active markets (all Level 1 measurements) and are classified by management as available-for-sale. Accordingly, realized gains and losses, if any, are determined on the basis of the actual cost of the securities sold. Unrealized gains and losses are presented as a single amount in the statements of activities.

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 availability of 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 all periods presented.

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.

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional Allocation of Expenses

The cost of providing the Foundation's various programs and services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense:</u>	<u>Method of Allocation</u>
Salaries, payroll taxes, and benefits	Time and effort
Mileage	Time and effort
Office operations	Reasonable basis consistently applied
Accounting	Reasonable basis consistently applied
Nonprofit workshops and events	Time and effort
Publications	Reasonable basis consistently applied
Dues	Time and effort
Depreciation	Reasonable basis consistently applied
Membership development	Time and effort
Board expenses	Time and effort
Insurance	Reasonable basis consistently applied
Conference expenses	Time and effort

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code, and as a public charity under 509 (a) of the code.

The Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed the tax positions taken in its filings with the Internal Revenue Service. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018 and 2017.

The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

OUTER BANKS COMMUNITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 3 - FAIR VALUE MEASUREMENTS:

The Foundation adopted the provisions of FASB Statement No. 157, Fair Value Measurements, for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. The adoption of this standard did not have any impact on the statements of activities or balance sheet, but does require additional disclosures.

FASB Statement No. 157, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 December 31, 2018.

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

Mutual funds: Valued at the net asset value (NAV) of shares held by the Foundation at year end.

Guaranteed investment contract: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued):

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 plan 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2018.

Assets at Fair Value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 11,038,393	\$ -	\$ -	\$ 11,038,393
Equity Common Stocks	480	-	-	480
Fixed Income Mutual Funds	3,962,877	-	-	3,962,877
Money Market Mutual Funds	766,032	-	-	766,032
Total assets at fair value	\$ 15,767,782	\$ -	\$ -	\$ 15,767,782
Less Agency Funds	(1,028,867)	-	-	(1,028,867)
	\$ 14,738,915	\$ -	\$ -	\$ 14,738,915

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2017.

Assets at Fair Value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$ 11,853,088	\$ -	\$ -	\$ 11,853,088
Equity Common Stocks	480	-	-	480
Fixed Income Mutual Funds	4,619,854	-	-	4,619,854
Money Market Mutual Funds	653,729	-	-	653,729
Total assets at fair value	\$ 17,127,151	\$ -	\$ -	\$ 17,127,151
Less Agency Funds	(877,065)	-	-	(877,065)
	\$ 16,250,086	\$ -	\$ -	\$ 16,250,086

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS:

The Foundation has designated and undesignated unrestricted net assets. The following is a breakdown of the unrestricted net assets as of December 31, 2018 and 2017.

	2018	2017
<u>Designated:</u>		
<u>Scholarship:</u>		
Catherine Carrington Clawson Scholarship Fund	\$ 40,523	\$ 43,812
Charles H. and Dorothy S. Luedemann Art Scholarship Fund	255,723	296,989
College of The Albemarle Foundation Scholarship Fund	23,698	27,594
Courtney M. Burgess Memorial Scholarship Fund	56,279	65,106
Curtis Creech Memorial Scholarship Fund	32,646	38,020
Douglas Remaley Fire Officers Scholarship	70,006	81,769
Dare County Outer Banks Jaycees Scholarship Fund	12,029	13,950
Dare Math/Science Scholarship Fund	32,713	37,384
Dorothy Scott Townsend Fletcher Memorial Scholarship Fund	-	-
Duck Woods Ladies Tennis Association Scholarship Fund	22,162	26,502
ECB Land of Beginnings Living Legend Scholarship Fund	6,892	8,010
Elizabeth and Wayne Evans Scholarship Fund	45,510	-
First Flight Society Scholarship	14,050	16,314
Founders Scholarship (Duck Woods Ladies Golf Association)	44,945	50,324
Frank M. Cahoon Memorial Fund	30,149	35,142
George W. Neighbors Memorial Fund	24,261	28,241
Glenn and Pat Eure Endowment Fund for Arts Education	28,390	23,922
Greg and Eden Honeycutt Scholarship Fund	35,905	40,904
Inez Daniels Austin Scholarship Fund	64,878	74,715
Jeannette U. McOwen Memorial Scholarship Fund	19,123	11,643
Jerry and Arlene Davis Scholarship Fund	-	-
Joe Riddick Trade and Technical Scholarship Fund	17,657	15,963
John T. Daniels, Lois Pearce Smith, and J. Bryan Smith Scholarship Fund	38,847	43,738
Josephine A. Oden Scholarship Fund	91,020	-
Kellogg Cuthrell Manteo Rotary Scholarship Fund	24,693	28,334
Kiwanis Leo Sheetz Memorial Scholarship Fund	51,314	48,539
Lacy J. McNeill First Flight Rotary Fund	18,664	22,331
Lillian W. Riddick Scholarship Fund for Nurses	26,932	15,626
Linda Porter's Shear Genius Scholarship Fund	4,789	5,325
Lucian Griffin Scholarship Fund	16,188	18,512
Mabel O. Cooper Scholarship Fund	9,000	9,000
Manteo Rotary Club Percy W. and Elizabeth G. Meekins Scholarship Fund	50,065	57,930
Manteo Rotary Club Scholarship Fund	6,798	5,509
Milton A. Jewell Scholarship Fund	613,852	716,359
NCPC Bettye Neff Merit Award in Communications Fund	12,690	14,717
North Banks Rotary Scholarship Fund	20,990	22,978
OBX Scholars Fund	646	1,236
Ocracoke Island Realty and Village Realty Scholarship Fund	4,529	5,410
Osborne Scholarship Fund	21,071	18,512
Outer Banks Association of Realtors Scholarship Fund	218,128	239,867

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS (Continued):

	2018	2017
<u>Scholarship (Continued):</u>		
Peggy O'Brien Scholarship Fund	\$ 24,071	\$ 28,034
R. Stewart Couch Hatteras Island Scholarship Fund	157,384	183,499
Ralph & Ida Lee Saunders Scholarship Fund	17,958	20,331
Rex Sample Fund for Courage and Determination	9,519	-
Robert E. Rollason, Jr. Memorial Scholarship Fund	21,663	25,609
Sawyer Scholarship Endowment Fund	13,761	15,123
Sawyer Scholarship Fund	-	2,500
Scholarship Pass-through Fund	-	-
Scott Day Family Scholarship Fund	10,577	10,633
Sgt. Earl Murray Memorial Scholarship Fund	7,186	8,386
Shearouse Scholarship Fund	95,035	-
Tom O'Brien Scholarship Fund	22,842	26,619
Wallace H. McCown Scholarship Fund	47,721	55,542
Wayne Fulcher Art Scholarship Fund	13,788	12,973
 <u>Field of Interest:</u>		
Adams/Brown Fund for Animals	9,339	5,291
All God's Creatures Fund	13,492	10,076
Annual Advice 5K Turkey Trot Fund	44,731	54,975
Aviation Education Fund of America	6,646	7,351
Banxblock Beach Fund	9,359	11,382
Benevolent Fund	212,063	247,122
Charles H. & Dorothy S. Luedemann Arts Fund	228,992	265,990
Children & Youth Fund	9,237	10,218
David Aycock Loy Memorial Fund	18,067	20,322
Disaster Response Endowment Fund	47,427	-
Environment Fund	6,327	7,693
Franklin Y. Hundley Education Fund	6,126	6,776
Hatteras Fund	16,459	18,418
Ocracoke Fund	28,046	32,471
Outer Banks Realtors Disaster Relief Fund	76,204	80,197
Pauline Wright Endowment for Dare County Individuals with Special Needs	134,145	158,006
Pauline Wright Endowment for Educational and Developmental Needs in Currituck	137,184	158,122
Ruth Pitt Performing Arts Fund	36,319	42,237
Schiffman Fund for Animals	5,757	5,589
Thomas & Annie Baum Memorial Fund	252,247	295,490
 <u>Non-Profit and Other Designated Funds:</u>		
2-1-1 Fund	9,004	10,558
Beach Food Pantry Endowment Fund - Hybrid Amount	6,441	4,402
Chicamacomico Historical Association Endowment Fund - Hybrid Amount	4,626	5,157
Children & Youth Partnership Endowment Fund - Hybrid Amount	2,330	2,524
Community Care Clinic Endowment Fund - Hybrid Amount	2,570	2,739
Dare Community Crime Line Fund - Hybrid Amount	3,906	33,195
Dare County Arts Council Endowment Fund - Hybrid Amount	18,989	21,921

See independent auditor's report. Notes continued on next page.

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS (Continued):

	2018	2017
<u>Non-Profit and Other Designated Funds (Continued):</u>		
Dare County Boat Builders Access Fund - Hybrid Amount	\$ -	\$ -
Dare County Boat Builders Endowment Fund- Hybrid Amount	2,503	2,769
Dare County Library Fund- Hybrid Amount	8,675	10,315
Dare Education Foundation Endowment Fund- Hybrid Amount	1,573	1,742
Disaster Relief Fund	4,467	5,241
Elizabethan Gardens Endowment Fund - Hybrid Amount	7,268	7,800
Endowment Fund for the Don & Catharine Bryan Cultural Series	1,622,910	1,832,293
F.C. Minton Fund	7,523	8,712
First Flight Society Fund- Hybrid Amount	8,416	9,716
Flat Top Preservation	50,898	58,249
Food For Thought Fund- Hybrid Amount	17,051	18,621
Frank Stick Memorial Fund	238,385	275,931
Frank Tate Memorial Fund for the Manteo High School Band	18,224	21,097
Fred Murray Memorial Fund	35,474	29,986
Frisco Native American Museum and Natural History Center Fund - Hybrid Amount	4,770	5,270
George Alden "Buck" Thornton III Memorial Fund	-	6,387
Hatteras Island Cancer Foundation Endowment Fund- Hybrid Amount	2,511	2,524
Hatteras Village Endowment Fund- Hybrid Amount	5,110	5,554
Helen Britt Van Cleef Petty Fund	397,006	460,681
Interfaith Community Outreach Endowment Fund- Hybrid Amount	2,738	2,837
Jim Wood Endowment for Children's Arts- Hybrid Amount	5,156	5,928
Liberty Christian Fellowship Endowment Fund- Hybrid Amount	7,827	6,803
Love in Action Fund	109,601	97,297
Martin Smith Endowment Fund- Hybrid Amount	8,596	9,121
Milton A. Jewell Internship Fund	-	-
Misc Pass Through Fund	-	-
Moncie L. Daniels & Belva Midgett Daniels Memorial Fund B - Designated	-	-
Moncie L. Daniels & Belva Midgett Daniels Memorial Fund for Bethany Methodist Church	53,819	62,213
Moncie L. Daniels & Belva Midgett Daniels Memorial Fund for Gideons International	53,777	62,167
Moncie L. Daniels & Belva Midgett Daniels Memorial Fund for Mount Olivet Methodist Church	53,781	62,152
Moncie L. Daniels & Belva Midgett Daniels Memorial Fund for Town of Manteo	58,728	64,962
Moncie L. Daniels Jr. and Muriel Green Daniels Memorial Fund	-	-
Moncie L. Daniels Jr. and Muriel Green Daniels Memorial Fund for Bethany Methodist Church	43,055	49,770
Moncie L. Daniels Jr. and Muriel Green Daniels Memorial Fund for First Assembly of God	46,982	51,970
Moncie L. Daniels Jr. and Muriel Green Daniels Memorial Fund for Manteo Baptist Church	43,001	49,967
Moncie L. Daniels Jr. and Muriel Green Daniels Memorial Fund for Mount Olivet Methodist Church	43,025	49,722
Moncie L. Daniels Jr. and Muriel Green Daniels Memorial Fund for Wanchese Assembly of God	46,982	51,970

See independent auditor's report. Notes continued on next page.

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS (Continued):

	2018	2017
<u>Non-Profit and Other Designated Funds (Continued):</u>		
Monument to a Century of Flight Fund	\$ 581,321	\$ 647,543
NC Lions Visually Impaired Persons Fishing Tournament Endowment Fund - Hybrid Amount	2,452	2,713
Ocracoke Child Care Endowment Fund- Hybrid Amount	1,472	1,627
Ocracoke Community Park Endowment Fund- Hybrid Amount	15,635	17,213
Ocracoke Community Radio Endowment Fund- Hybrid Amount	4,564	5,049
Ocracoke Fire Protection Association Fund- Hybrid Amount	12,505	8,181
Ocracoke Friends of the Library Fund	19,361	21,416
Ocracoke Preservation Society Fund- Hybrid Amount	2,450	2,664
Outer Banks Family YMCA Fund- Hybrid Amount	1,340	1,525
Outer Banks Hotline Endowment Fund- Hybrid Amount	2,674	2,750
Outer Banks SPCA Fund- Hybrid Amount	6,316	7,009
Outer Banks Sporting Events Endowment Fund- Hybrid Amount	2,281	2,524
Pauline Wright Endowment for the Currituck Animal Shelter	50,718	56,102
Pauline Wright Endowment for the Currituck Public Libraries	45,872	50,742
Pauline Wright Endowment for the Dare County Arts Council	87,550	102,011
Sergeant Joshua Rimer Memorial Fund for Veterans	49,901	-
Southern Shores Cemetery Perpetual Care Fund- Hybrid Amount	372	426
St. Andrews By-The-Sea Episcopal Church Whedbee Fund	-	-
Unitarian Universalist Congregation of the Outer Banks Fund	-	-
Warren Cameron Judge III Endowment Fund for the Outer Banks Relief Foundation - Hybrid Amount	9,371	41,896
	<u>\$ 7,801,280</u>	<u>\$ 8,478,856</u>
<u>Undesignated:</u>	6,106,903	6,824,989
	<u>\$ 13,908,183</u>	<u>\$ 15,303,845</u>

The Foundation has adopted investment and spending policies for both designated and undesignated endowments that attempt to subject the funds to low investment risk through diversification of assets between equities and fixed income mutual funds.

The Foundation manages several agency funds. These funds are established by not-for-profit organizations for their own benefit. Agency funds that contain donations solely from the not-for-profit are shown as funds held as agency funds on the Statement of Net Assets. Agency funds that contain, both, donations from the not-for-profit organization and unrelated third party donations are considered to be hybrid funds.

The amounts shows above represent the portion of the hybrid agency funds reflected in the Foundation's net assets. Below is a summary of agency fund endowments that are not reflected in the Foundation's net assets.

	2018	2017
Funds held as agency funds:		
Agency Funds:		
Dare County Boat Builders Access Fund	\$ 385,338	\$ 221,491
St. Andrews-Whedbee	258,735	286,203
Unitarian Church	16,703	18,476

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS (Continued):

	2018	2017
Funds held as agency funds (Continued):		
Hybrid Agency Funds:		
Beach Food Pantry Endowment Fund	\$ 7,539	\$ 8,277
Chicamacomico Historical Assoc. Endowment	18,208	19,844
Children & Youth Partnership Endowment Fund	2,284	2,524
Community Care Clinic Endowment Fund	2,385	2,634
Dare Community Crimeline	26,203	-
Dare County Arts Council	14,905	16,874
Dare County Boat Builders Endowment Fund	2,503	2,769
Dare County Library	22,295	25,599
Dare Education Foundation	54,480	60,262
Elizabethan Gardens Endowment	17,266	21,057
First Flight Society	52,664	60,258
Food for Thought	37,034	38,214
Frisco Museum & Center	3,915	4,235
Hatteras Island Cancer Foundation Endowment Fund	3,016	3,332
Hatteras Village Endowment Fund	2,282	2,524
Interfaith Community Outreach Endowment Fund	7,749	8,549
Jim Wood Endowment for Children's Art	1,115	-
Liberty Christian Fellowship Endowment	5,054	5,678
Martin Smith Endowment Fd (Dare CASA)	12,521	13,667
NC Lions Visually Impaired Persons Fishing Tournament Endowment Fund	2,452	2,713
Ocracoke Child Care Endowment	8,781	9,714
Ocracoke Community Park Endowment Fund	-	-
Ocracoke Community Radio Endowment Fund	-	-
Ocracoke Fire Protection Association Fund	50	54
Ocracoke Preservation Society	6,826	7,599
Outer Banks Hotline Endowment Fund	2,385	2,639
Outer Banks Sporting Events Endowment Fund	2,281	2,525
Outer Banks YMCA	4,381	5,113
Southern Shores Cemetery	8,267	9,462
SPCA	13,523	14,779
Warren Cameron Judge III Endowment Fund for OBRF	25,727	-
	\$ 1,028,867	\$ 877,065

NOTE 5 - CONCENTRATION OF CREDIT RISK:

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each deposit insurance ownership category. As of December 31, 2018 and 2017, the Foundation had cash in excess of FDIC insured limits of \$526,032 and \$403,729, respectively.

The Foundation's investments are covered under the Trust Services Liability for up to a \$7 million liability and the Financial Institutions Bond for up to a \$5 million liability. In addition, the Broker's custodian bank maintains \$10,000,000 in insurance.

See independent auditor's report. Notes continued on next page.

OUTER BANKS COMMUNITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Office land	\$ 216,000	\$ 216,000
Office building	122,114	122,114
Furniture and equipment	-	4,150
Total	<u>\$ 338,114</u>	<u>\$ 342,264</u>
Less accumulated depreciation	42,809	43,082
Property and equipment, net	<u>\$ 295,305</u>	<u>\$ 299,182</u>

The property listed above was donated to the Foundation in July 2007.

NOTE 7 - LIQUIDITY

The Foundation has \$14,937,029 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$197,742, sales tax receivable of \$372, and marketable securities of \$14,738,915. \$2,014,902 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

NOTE 8 - RESTRICTIONS ON NET ASSETS

The following net assets are restricted by the donor for the following purposes or constraints.

	<u>2018</u>	<u>2017</u>
Donor Advised Funds	\$ 986,035	\$ 1,117,581
Office Land	216,000	216,000
Office Building	122,114	122,114
	<u>\$ 1,324,149</u>	<u>\$ 1,455,695</u>

NOTE 9 - PRIOR PERIOD ADJUSTMENT

Net assets as of the beginning of the year have been adjusted to increase Funds Held as Agency Endowments. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreased net assets by \$59,656.

NOTE 10 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through June 27, 2019. No events have occurred subsequent to the balance sheet date and through June 27, 2019 that would require adjustment to, or disclosure in, the financial statements.