

THE FOUNTAIN FUND
CHARLOTTESVILLE, VIRGINIA

FINANCIAL REPORT - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019



THE FOUNTAIN FUND

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
The Fountain Fund
Charlottesville, Virginia

We have audited the accompanying financial statements of THE FOUNTAIN FUND, which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2019, and the related statements of revenue, expenses, and changes in net assets - modified cash basis and functional expenses - modified cash basis for the year then ended, and the related notes to the financial statements (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 modified cash basis of accounting as described in the notes to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the 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 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.

To the Board of Directors
The Fountain Fund

REPORT OF INDEPENDENT AUDITORS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of THE FOUNTAIN FUND as of December 31, 2019, and its revenues, expenses, and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in the notes to the financial statements.

Basis of Accounting

We draw attention to the notes to the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified 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 that matter.

A handwritten signature in cursive script that reads "Huntymon Wiebel LLP".

Charlottesville, Virginia
May 12, 2020

THE FOUNTAIN FUND

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	\$ 752,494
Certificates of deposit	10,058
Loans receivable	<u>262,052</u>
TOTAL ASSETS	<u><u>1,024,604</u></u>

NET ASSETS

NET ASSETS

Without donor restrictions:	
Board-designated	30,141
Undesignated	<u>491,928</u>
Total net assets without donor restrictions	522,069
With donor restrictions	<u>502,535</u>
TOTAL NET ASSETS	<u><u>\$ 1,024,604</u></u>

(The accompanying notes are an integral part of this financial statement)

THE FOUNTAIN FUND

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND OTHER SUPPORT			
Support from public:			
Public support	\$ 284,345	\$ 556,086	\$ 840,431
Loan program interest income	5,793	....	5,793
	290,138	556,086	846,224
Total support from public			
Other revenue:			
Investment income	58	....	58
Net assets released from restrictions:			
Satisfaction of program restrictions	53,551	(53,551)	....
	343,747	502,535	846,282
Total revenue and other support			
EXPENSES			
Program services	214,100	....	214,100
Management and general	45,117	....	45,117
Fund-raising	60,823	....	60,823
	320,040	....	320,040
Total expenses			
CHANGE IN NET ASSETS	23,707	502,535	526,242
NET ASSETS, BEGINNING OF YEAR	498,362	....	498,362
NET ASSETS, END OF YEAR	\$ 522,069	\$ 502,535	\$ 1,024,604

(The accompanying notes are an integral part of this financial statement)

THE FOUNTAIN FUND

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries	\$ 149,229	\$ 21,318	\$ 42,637	\$ 213,184
Payroll taxes	10,669	1,524	3,048	15,241
Total salaries and related expenses	159,898	22,842	45,685	228,425
Accounting professional fees	3,320	1,660	553	5,533
Payroll processing professional fees	1,756	250	502	2,508
Development, consulting, and professional fees	11,760	3,360	1,680	16,800
Office expenses	6,971	4,041	1,181	12,193
Occupancy	14,165	4,047	2,024	20,236
Conferences, conventions, and meetings	11,556	5,778	1,926	19,260
Insurance .....	....	3,139	....	3,139
Development, consulting, and professional fees .....	....	....	7,272	7,272
Program costs	4,674	....	....	4,674
	<u>\$ 214,100</u>	<u>\$ 45,117</u>	<u>\$ 60,823</u>	<u>\$ 320,040</u>

(The accompanying notes are an integral part of this financial statement)

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

DESCRIPTION OF ORGANIZATION

The Fountain Fund (the Fund) is a 501(c)(3) nonprofit lender that provides microloans to formerly incarcerated individuals who would not qualify for traditional lines of credit, but have viable job prospects or entrepreneurial ventures. Loan funds can be used to pay court-imposed debt, job-related expenses, transportation and housing costs, or child support, or to start a business.

To be considered for a loan, applicants must show:

- A record of past incarceration,
- Current or future gainful employment, and
- A potential elevation in their personal circumstances as a result of the loan.

The Fountain Fund does not discriminate based on type of conviction or length of incarceration. Along with providing loans, the Fountain Fund is committed to offering information and resources related to finances and credit building. This required financial education program includes group workshops as well as one-on-one financial coaching for our Client Partners to give them the information, understanding and skills to build credit. The Fountain Fund is a certified credit reporter and sends monthly reports to all three credit bureaus.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors, and other users. Major components of this standard include changes to net asset classifications, disclosures regarding liquidity and availability of resources, and improved expense reporting. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted, and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements have been presented regarding liquidity and availability of resources for short-term use. Expenses have been reported by both their natural and functional classification to aid in the usefulness of the financial statements. The relevant components of ASU 2016-14 are incorporated into these statements.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Fund has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

Basis of Presentation

The Fund reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that will be satisfied by actions of the Fund and/or the passage of time or will be held in perpetuity by the Fund.

Income Taxes

The Fund is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Fund has been classified as an organization that is not a private foundation under Section 509(a).

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates included in the financial statements affect the functional allocation of expenses. Actual results could differ from those estimates.

Policy Disclosure

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and changes in net assets - modified cash basis as net assets released from restrictions. Support received for the loan program is considered purpose restricted. Donations restricted for the loan program are released upon their disbursement as loans.

The Fund reports gifts of land, buildings, and equipment (long-lived assets) as contributions without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Fund reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donations of property and equipment are recorded as contributions at fair value at the date of donation.

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Fund considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Building, Property, Equipment, and Depreciation Methods

The Fund capitalizes all property and equipment purchases over \$2,500. The Fund had no equipment purchases over the capitalization policy or depreciation expense during the year ended December 31, 2019.

Donated Assets - Marketable Securities

Contributions of marketable securities are recorded as contributions at their fair values at the date of the donation. It is the Fund's policy to sell donated securities as soon as possible after they are received.

Donated Materials and Services

The Fund records the value of donated goods and professional services when there is an objective basis available to measure their value. Management believes that reporting these items more accurately reflects the true cost to operate the Fund.

Functional Classification of Expenses

The Fund allocates its expenses on a functional basis among its various programs, including program services, management and general, and fund-raising. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on relationships such as staff time and effort or facility square footages as deemed most appropriate.

Subsequent Events

Management has evaluated subsequent events through May 12, 2020, which is the date the financial statements were available to be issued.

CERTIFICATE OF DEPOSIT

The Fund holds a certificate of deposit with a maturity date of 12 months from the date of purchase. This certificate of deposit will mature within the next 12 months and is renewable upon maturity. The Fund records interest on this certificate of deposit when received. The interest rate is 1.05%.

LOANS RECEIVABLE

The Fund provides secured and unsecured microloans to formerly incarcerated individuals as described in the **DESCRIPTION OF ORGANIZATION** note.

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

Various loans receivable balances are secured by property of the borrowers. Secured and unsecured loans receivable as of December 31, 2019 are summarized as follows:

	LOAN BALANCE
Secured	\$ 97,879
Unsecured	<u>164,173</u>
	<u>\$262,052</u>

Loans receivable delinquencies as of December 31, 2019 are summarized as follows:

	LOAN BALANCE	LOANS INCLUDED
Performing	\$165,265	55
Delinquent 30 - 60 days	12,982	5
Delinquent 60 - 90 days	3,991	3
Delinquent >90 days	<u>79,814</u>	<u>35</u>
	<u>\$262,052</u>	<u>98</u>

As of December 31, 2019, management considers loans totaling \$64,177 as potentially uncollectible. None of the loans deemed potentially uncollectible are secured. No provision is made for an allowance for uncollectible accounts until management makes the final determination that a loan will not be collected and the note is written off.

CONCENTRATION OF CREDIT RISK

The Fund maintains cash balances in the form of checking accounts and certificates of deposit. Cash accounts in excess of federally-insured limits are subject to risk of loss.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2019 consist of undesignated funds and funds designated by the Board of Directors for specified purposes as follows:

Undesignated	\$491,928
Board-designated net assets:	
Loan program	<u>30,141</u>
Total net assets without donor restrictions	<u>\$522,069</u>

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include gifts of cash or other assets whose use is limited by donor-imposed stipulations of time or purpose. The Fund has not received any gifts required to be invested in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or the restricted purpose is accomplished, the respective net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and changes in net assets - modified cash basis as net assets released from restrictions.

At December 31, 2019, net assets with donor restrictions consist of the following:

Cash restricted for:	
Loan fund	\$441,785
Client Partner assistance fund	10,000
Other	<u>50,750</u>
Total net assets with donor restrictions	<u>\$502,535</u>

LIQUIDITY AND AVAILABILITY

The Fund regularly monitors liquidity required to meet its operating needs and other contractual commitments.

The Fund manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets to fund near-term operating needs

Financial assets available for general expenditure within one year, without donor or other restrictions limiting their use, comprise the following at December 31, 2019:

Cash without donor restrictions	\$249,959
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OPERATING LEASE

The Fund leases its office space from Jefferson School Community Partnership, L.L.L.P. Total rent payments in 2019 were \$17,895.

In 2017, the Fund and the lessor entered into an agreement providing for a five-year lease for the period December 1, 2017 to November 30, 2022. Monthly payments began at \$1,443 and increase 2.5% annually during the term of the lease.

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

Future minimum payments relating to this lease agreement are as follows:

2020	\$ 18,231
2021	18,686
2022	<u>17,521</u>
Total future minimum payments.....	<u>\$ 54,438</u>

CONCENTRATIONS

For the year ended December 31, 2019, the Fund received 47% of its reported support from two donors.

SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization officially declared the coronavirus (COVID-19) outbreak a pandemic, resulting in federal, state, and local governments mandating various restrictions, including travel restrictions, restrictions on public gatherings, and stay-at-home orders. The extent of the pandemic's impact on the Fund's financial condition and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.