

**THE FOUNTAIN FUND**  
**CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORT - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2020**



# THE FOUNTAIN FUND

## CONTENTS

	<b>PAGE</b>
Report of independent auditors .....	1
Statement of assets, liabilities, and net assets - modified cash basis .....	3
Statement of revenue, expenses, and changes in net assets - modified cash basis .....	4
Statement of functional expenses - modified cash basis .....	5
Notes to financial statements .....	6



## 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, 2020, 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, 2020, 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.

*Hanlyman Weil LLP*

Charlottesville, Virginia  
May 12, 2021

# THE FOUNTAIN FUND

## STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS DECEMBER 31, 2020

### ASSETS

Cash and cash equivalents .....	\$ 929,139
Certificates of deposit .....	10,164
Loans receivable .....	<u>317,820</u>
Total assets .....	<u>\$ 1,257,123</u>

### NET ASSETS

Net assets without donor restrictions:	
Board-designated .....	\$ 137,017
Undesignated .....	<u>876,734</u>
Total net assets without donor restrictions .....	1,013,751
Net assets with donor restrictions .....	<u>243,372</u>
Total net assets .....	<u>\$ 1,257,123</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, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE AND OTHER SUPPORT</b>			
Support from public:			
Public support .....	\$ 547,653	\$ 82,400	\$ 630,053
Paycheck Protection Program Grant.....	....	44,900	44,900
Loan program interest income .....	8,248	....	8,248
	555,901	127,300	683,201
Other revenue:			
Investment income .....	106	....	106
	106	....	106
Net assets released from restrictions:			
Satisfaction of program restrictions .....	386,463	( 386,463)	....
	386,463	( 386,463)	....
Total revenue and other support .....	942,470	( 259,163)	683,307
<b>EXPENSES</b>			
Program services .....	344,828	....	344,828
Management and general .....	62,114	....	62,114
Fund-raising .....	43,846	....	43,846
	450,788	....	450,788
<b>CHANGE IN NET ASSETS</b> .....	491,682	( 259,163)	232,519
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	522,069	502,535	1,024,604
<b>NET ASSETS, END OF YEAR</b> .....	\$ 1,013,751	\$ 243,372	\$ 1,257,123

(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, 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries .....	\$ 137,374	\$ 39,250	\$ 19,625	\$ 196,249
Employee benefits.....	417	23	23	463
Payroll taxes .....	8,191	2,340	1,170	11,701
Total salaries and related expenses .....	145,982	41,613	20,818	208,413
Accounting professional fees .....	10,856	5,428	1,809	18,093
Payroll processing professional fees .....	2,007	573	287	2,867
Professional consulting fees .....	3,105	....	3,105	6,210
Office expenses .....	5,843	2,482	1,894	10,219
Occupancy .....	12,684	3,624	1,812	18,120
Utilities .....	1,122	320	160	1,602
Conferences, conventions, and meetings .....	737	211	105	1,053
Insurance .....	9,818	6,063	1,403	17,284
Marketing and communications .....	....	....	12,453	12,453
Program costs and COVID-19 relief.....	75,065	....	....	75,065
Provision for loan losses .....	77,609	....	....	77,609
General and administrative .....	....	1,800	....	1,800
	\$ 344,828	\$ 62,114	\$ 43,846	\$ 450,788

(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 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 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

#### *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.

#### *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.



# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### *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. 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 revenue, 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.

### *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, 2020.

# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### ***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. There were no amounts recorded for donated services for the year ended December 31, 2020.

### ***Loans Receivable and Related Interest Income***

The Fund records amounts funded through its loan program as notes receivable and reports interest income received on loans at the time the payments are received. Payments made on delinquent loans are applied to principle and interest based on the original amortization schedule. Notes are written off when management assesses the amounts will not be repaid. No allowance is provided for potential uncollectible accounts at December 31, 2020.

### ***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. 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, 2021, 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 .25%.

## **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, 2020 are summarized as follows:

	<b>LOAN BALANCE</b>
Secured .....	\$183,587
Unsecured .....	<u>134,233</u>
	<u>\$317,820</u>

Loans receivable delinquencies as of December 31, 2020 are summarized as follows:

	<b>LOAN BALANCE</b>	<b>LOANS INCLUDED</b>
Performing .....	\$282,603	84
In forbearance .....	16,000	6
Delinquent 30 - 60 days .....	14,670	3
Delinquent 60 - 90 days .....	4,547	3
Delinquent >90 days .....	<u>.....</u>	<u>.....</u>
	<u>\$317,820</u>	<u>96</u>

As of December 31, 2020, management deemed 35 loans in default classification as uncollectible and the net unsecured balances, totaling \$77,609, were 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, 2020 consist of undesignated funds and funds designated by the Board of Directors for specified purposes as follows:

Undesignated .....	\$ 876,734
Board-designated net assets:	
Loan program .....	<u>137,017</u>
Total net assets without donor restrictions .....	<u>\$1,013,751</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 revenue, expenses, and changes in net assets - modified cash basis as net assets released from restrictions.

At December 31, 2020, net assets with donor restrictions consist of the following:

Cash restricted for:	
Loan fund .....	\$227,734
Loan payment relief .....	14,888
Other .....	<u>750</u>
Total net assets with donor restrictions .....	
	<u>\$243,372</u>

### PAYCHECK PROTECTION PROGRAM FUNDING

The Fund obtained funding under a Paycheck Protection Program loan (PPP Loan) established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) of 2020. The proceeds of this loan may be fully forgiven if the Fund satisfies certain requirements established by the CARES Act. The Fund has elected to account for these funds as a conditional grant. As of December 31, 2020, the Fund has met the conditions of expenditure of the funds required and the loan has been forgiven.

### 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, 2020:

Cash without donor restrictions .....	\$685,767
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# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### OPERATING LEASE

The Fund leases its office space from Jefferson School Foundation. Total rent payments in 2020 were \$18,120.

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.

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

2021 .....	\$ 18,686
2022 .....	<u>17,521</u>
Total future minimum payments .....	<u>\$ 36,207</u>

### CONCENTRATIONS

For the year ended December 31, 2020, the Fund received 20% total of its reported support from two donors.

### CONTINGENCY

#### *Paycheck Protection Program*

The PPP Loan and forgiveness of that loan are subject to audit by the Small Business Administration (SBA) for six years after the date the loan is forgiven or repaid in full. The possible disallowance by the SBA of any item charged to the program cannot be determined until such time when an audit occurs. Therefore, no provision for any potential disallowances that may result from such audit has been made in the accompanying financial statements. Management is of the opinion that disallowances, if any, will not be material to the accompanying financial statements.

### COVID-19

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The extent to which the COVID-19 pandemic impacts the Fund, results of its operations, and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration, spread, severity, and impact of the COVID-19 pandemic and to what extent normal economic and operating conditions can resume. The Fund cannot reasonably estimate the impact of the pandemic at this time.

# **THE FOUNTAIN FUND**

## **NOTES TO FINANCIAL STATEMENTS**

### **SUBSEQUENT EVENT**

Subsequent to year end, the Fund applied for and received additional funding under the expanded Paycheck Protection Program totaling \$43,447.