

DRAFT 6-8-17

PHILANTHROPY WEST VIRGINIA
FINANCIAL REPORT
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Philanthropy West Virginia
Morgantown, West Virginia

Report on the Financial Statement

We have audited the accompanying financial statements of Philanthropy West Virginia, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable 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 judgement, 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 Philanthropy West Virginia as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Arnett Corbis Toothman LLP

Bridgeport, West Virginia
March 21, 2017

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PHILANTHROPY WEST VIRGINIA
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2016

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents in bank, unrestricted	\$ 317,121	\$ 356,515
Cash and cash equivalents in bank, restricted	195,000	103,500
Accounts receivable	14,286	10,533
Prepaid expenses	11,621	3,065
Total current assets	<u>538,028</u>	<u>473,613</u>
TOTAL ASSETS	<u>\$ 538,028</u>	<u>\$ 473,613</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,848	\$ 6,308
Deferred revenue	51,938	2,852
Total current liabilities	<u>64,786</u>	<u>9,160</u>
NET ASSETS		
Unrestricted	\$ 278,242	\$ 360,953
Temporarily restricted	195,000	103,500
Total net assets	<u>473,242</u>	<u>464,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 538,028</u>	<u>\$ 473,613</u>

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See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA
 STATEMENTS OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME AND OTHER SUPPORT				
Private Foundation Grants	\$ 74,775	\$ 195,000	\$ -	\$ 269,775
Workshops Sponsors and Registration Fees	52,004	-	-	52,004
Annual Membership Dues	46,628	-	-	46,628
WV Nonprofit Association Dues and Program Income	71,811	-	-	71,811
Interest income	1,022	-	-	1,022
Contract Services Income	19,694	-	-	19,694
Net assets released from restrictions	103,500	(103,500)	-	-
Total income and other support	369,434	91,500	-	460,934
EXPENSES				
Grantmakers program expenses	267,389	-	-	267,389
WV Nonprofit Association expenses	162,716	-	-	162,716
Total program expenses	430,105	-	-	430,105
Management and general expenses	22,040	-	-	22,040
Total expenses	452,145	-	-	452,145
Change in net assets	(82,711)	91,500	-	8,789
Net assets beginning of the year	360,953	103,500	-	464,453
NET ASSETS AT END OF YEAR	\$ 278,242	\$ 195,000	\$ -	\$ 473,242

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA
 STATEMENTS OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME AND OTHER SUPPORT				
Private Foundation Grants	\$ 16,025	\$ 103,500	\$ -	\$ 119,525
Workshops Sponsors and Registration Fees	32,503	-	-	32,503
Annual Membership Dues	38,520	-	-	38,520
WV Nonprofit Association Dues and Program Income	184,296	-	-	184,296
Interest income	1,386	-	-	1,386
Contract Services Income	27,791	-	-	27,791
Net assets released from restrictions	170,000	(170,000)	-	-
Total income and other support	470,521	(66,500)	-	404,021
EXPENSES				
Grantmakers program expenses	289,906	-	-	289,906
WV Nonprofit Association expenses	143,137	-	-	143,137
Total program expenses	433,043	-	-	433,043
Management and general expenses	15,209	-	-	15,209
Total expenses	448,252	-	-	448,252
Change in net assets	22,269	(66,500)	-	(44,231)
Net assets beginning of the year	338,684	170,000	-	508,684
NET ASSETS AT END OF YEAR	\$ 360,953	\$ 103,500	\$ -	\$ 464,453

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See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA
 STATEMENT OF FUNCTIONAL EXPENSES - 2016
 YEAR ENDED DECEMBER 31, 2016

EXPENSES	Grantmakers	WV		Management and General	Fundraising Expense	Total Expenses
	Program Expenses	Nonprofit Association	Total Program			
Contracted services	\$ 181,222	\$ 93,428	\$ 274,650	-	\$ -	\$ 274,650
Outreach and marketing	2,413	4,853	7,266	-	-	7,266
Grantmaker programs	14,783	-	14,783	-	-	14,783
Conference and meeting expense	34,874	14,204	49,078	-	-	49,078
Office expense	670	3,189	3,859	-	-	3,859
Travel	8,132	8,852	16,984	-	-	16,984
Information Technology	-	-	-	2,534	-	2,534
Occupancy	5,550	-	5,550	-	-	5,550
Telephone	1,148	-	1,148	287	-	1,435
Supplies	-	-	-	726	-	726
Professional fees	-	-	-	15,845	-	15,845
Fiscal agent fees	-	15,000	15,000	-	-	15,000
Insurance	-	-	-	2,278	-	2,278
Membership and registrations	3,169	6,081	9,250	-	-	9,250
Research	6,000	-	6,000	-	-	6,000
Bad debt	6,395	-	6,395	-	-	6,395
Other	3,033	17,109	20,142	370	-	20,512
TOTAL EXPENSES	\$ 267,389	\$ 162,716	\$ 430,105	\$ 22,040	\$ -	\$ 452,145

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA
STATEMENT OF FUNCTIONAL EXPENSES - 2015
YEAR ENDED DECEMBER 31, 2015

	Grantmakers		WV		Management		Total
	Program	Expenses	Nonprofit	Association	Program	and General	
							Expenses
EXPENSES							
Contracted services	\$	177,373	\$	88,089	\$	265,462	\$ 265,462
Outreach and marketing		26,784		9,092		35,876	35,876
Grantmaker programs		19,873		-		19,873	19,873
Conference and meeting expense		32,598		3,367		35,965	35,965
Office expense		1,579		2,289		3,868	3,868
Travel		7,096		10,033		17,129	17,129
Information Technology		-		-		-	3,904
Occupancy		2,875		-		2,875	2,875
Telephone		1,110		-		1,110	277
Supplies		-		-		-	1,278
Professional fees		-		-		-	6,924
Fiscal agent fees		-		11,900		11,900	-
Insurance		-		-		-	1,954
Membership and registrations		30		4,943		4,973	-
Research		14,454		-		14,454	-
Bad debt		4,451		-		4,451	-
Other		1,683		13,424		15,107	872
TOTAL EXPENSES	\$	289,906	\$	143,137	\$	433,043	\$ 15,209
							\$ 448,252

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA
 STATEMENTS OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Total change in net assets	\$ 8,789	(\$39,757)
Adjustments to reconcile total change in net assets to net cash provided by (used in) operating activities:		
(Increase) in accounts receivable	(3,753)	(10,533)
(Increase) in prepaid expenses	(8,556)	(3,065)
Increase in accounts payable	6,540	6,308
Increase in deferred revenue	49,086	2,852
Net cash provided by (used in) operating activities	<u>52,106</u>	<u>(44,195)</u>
 Net increase (decrease) in cash and cash equivalents	 52,106	 (44,195)
Cash and cash equivalents		
Beginning	460,015	504,210
Ending	<u>\$ 512,121</u>	<u>\$ 460,015</u>

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See Notes to Financial Statements

NOTE 1. DESCRIPTION OF ORGANIZATION

Philanthropy West Virginia (Organization) was incorporated in 1993 as a nonprofit organization under Internal Revenue Code Section 501(c)(3) and was originally known as West Virginia Grantmakers' Association, Inc. The purposes of the Association are the cultural, charitable and educational ones of promoting and disseminating research into and study of the problems of charitable organizations, foundations and charitable trusts; of promoting the growth and effective operation of charitable organizations, foundations and charitable trusts; of stimulating planning for efficient operation, financial management and grantmaking by private foundations, other charities, and other charitable grantmaking organizations; and of providing for the dissemination of knowledge and exchange of information, ideas and procedures among charitable organizations, foundations, charitable trusts and charitable grantmaking organizations, all to the end of benefiting and promoting charity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash: Philanthropy West Virginia maintains cash in demand deposit accounts with federally insured banks. The balances in these accounts occasionally exceed federally insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose significant risk to the Organization. Cash and cash equivalents include all short-term deposits with an initial maturity of 90 days or less.

Accounts Receivable: Trade receivables are carried at cost less an allowance for doubtful accounts, if an allowance is deemed necessary. The Company does not accrue finance or interest charges. On a periodic basis, the Company evaluates its trade receivables and determines the necessity of an allowance for losses, based on history of collections and current conditions. A trade receivable is written off when it is determined that all collection efforts have been exhausted.

Basis of Financial Reporting: The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Net Asset Classification: Net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor/grantor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor/grantor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – net assets subject to donor/grantor-imposed stipulations that the assets are to be maintained permanently by the Organization.

Temporarily Restricted Net Assets and Donor-Restricted Contributions: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Grant revenues, which are expended under terms of the grant agreement in the year of receipt, are reported as unrestricted income and other support in the statement of activities.

Use of unexpended grant funds is limited under the terms of the grant agreements; unexpended funds on hand are reported as temporarily restricted net assets. Grant funds released from restrictions in subsequent years are reported in unrestricted revenue in the statement of activities and changes in net assets. Contributions of cash and other assets are presented as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution, grant or award is received, Philanthropy West Virginia reports the support as unrestricted. As of December 31, 2016 and 2015, temporarily restricted net assets were \$195,000 and \$103,500, respectively.

Permanently Restricted Net Assets: Permanently restricted net assets represent funds held and only the income from the investments will be provided to Philanthropy West Virginia for its use in the future. The permanently restricted net assets are reported as restricted assets in the statement of financial position. As of December 31, 2016 and 2015, there were no permanently restricted monies.

Economic Dependency: Philanthropy West Virginia generates a substantial portion of its revenue from the Claude Worthington Benedum Foundation and various other grants. Changes in the amounts of grant funding could, therefore, significantly influence Philanthropy West Virginia's ability to provide services. Without this funding, Philanthropy West Virginia could not achieve its objectives.

Income Taxes: The Organization has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Sec. 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to section 501(a) of that code.

Fair Value of Financial Instruments: The fair value of cash and cash equivalents approximates their carrying values due to the short-term maturities of these financial instruments.

Advertising: Advertising costs are expensed as incurred; such costs aggregated \$7,266 during 2016 and \$35,876 during 2015.

NOTE 3. UNCERTAIN TAX POSITIONS

Accounting Standards prescribe a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Company does not believe its financial statements include any uncertain tax positions. The Company's federal return of Organizations Exempt from Income Taxes for tax years ending December 31, 2013, 2014, and 2015 (filed) and December 31, 2016, (unfiled) remain subject to examination by the Internal Revenue Service.

NOTE 4. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions; and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies.

NOTE 5. OPERATING LEASE

The Organization had an operating lease of \$480 per month. \$5,300 of rent expense was incurred in 2016 and \$3,000 of rent expense was incurred in 2015. The lease ends March 1, 2017, at which point, rent will increase to \$500 per month.

NOTE 6. SUBSEQUENT EVENTS

The Organization's management has evaluated events subsequent from December 31, 2016 through March 21, 2017, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

NOTE 7. CHANGE IN METHOD OF ACCOUNTING

In prior years, the Organization prepared its financial statements on the cash basis of accounting. This method was not in accordance with generally accepted accounting principles.

During the year ended December 31, 2015, the Organization changed its method of accounting from the cash basis to the accrual basis in accordance with accounting principles generally accepted in the United States of America.

NOTE 8. ECONOMIC DEPENDENCY

The Organization received income from one major donor in 2016 and 2015, totaling 28% and 26% of income, respectively.

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

Releases of temporarily restricted net assets consisted of the following:

2015 Nonprofit Association Programming	\$100,000
2015 Grantmakers Programming	<u>3,500</u>
Total released from restrictions in 2016	<u>\$103,500</u>

Temporarily restricted net income during 2016 consisted of the following:

2016 Nonprofit Association Programming	\$100,000
2016 Grantmakers Programming	<u>95,000</u>
Total temporarily restricted net income for 2016	<u>\$195,000</u>

NOTE 10. WVNPA PROGRAM REVENUE AND EXPENSE

The program income and expense detail for the WVNPA Program for the fiscal year ended December 31, 2016 was as follows:

WVNPA Revenue	\$ 71,811
WVNPA Expense	(162,716)
2015 Revenue released from restrictions	<u>100,000</u>
Program income, including release of restrictions from prior year	<u>\$ 9,095</u>