

NEW MORNING FOUNDATION

FINANCIAL REPORT

JUNE 30, 2015

**NEW MORNING FOUNDATION
INDEX
YEARS ENDED JUNE 30, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Morning Foundation
Columbia, South Carolina

Report on the Financial Statements

We have audited the financial statements of New Morning Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 consolidated 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Morning Foundation as of June 30, 2015, and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Derrick, Stubbs & Stith, LLP

January 8, 2016

**NEW MORNING FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 364,086	\$ 349,669
Prepaid expenses	696	5,559
Property and equipment, net of accumulated depreciation of \$ 131,135 (2015) and \$ 123,676 (2014)	21,215	21,177
Deferred charges, net of accumulated amortization of \$ 3,176 (2015) and \$ 514 (2014)	6,351	10,192
Investments	2,228,614	2,248,563
Total assets	<u>2,620,962</u>	<u>2,635,160</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued liabilities	<u>121,023</u>	<u>105,214</u>
 Net Assets		
Unrestricted	2,445,439	2,498,946
Temporarily restricted	54,500	31,000
Total net assets	<u>2,499,939</u>	<u>2,529,946</u>
 Total liabilities and net assets	<u>\$ 2,620,962</u>	<u>\$ 2,635,160</u>

See notes to financial statements.

**NEW MORNING FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(With Comparative Amounts for 2014)**

	2015		2014
	Unrestricted Fund	Temporarily Restricted Fund	Totals Only
Public Support and Revenue			
Contributions	2,361,147	\$ 125,000	\$ 2,486,147
Interest and dividends	49,056	-	49,056
Gain on sale of securities	114,712	-	114,712
Unrealized gain (loss) on securities	(110,655)	-	(110,655)
Gain on sale of fixed assets	-	-	-
Released from restriction	101,500	(101,500)	-
Total support and revenue	2,515,760	23,500	2,539,260
Expenses			
Program Services			
Grants and related expenses	1,217,072	-	1,217,072
Education/program expenses	953,183	-	953,183
Total program services	2,170,255	-	2,170,255
Support Services			
Management and general	365,131	-	365,131
Investment management	33,881	-	33,881
Total support services	399,012	-	399,012
Total expenses	2,569,267	-	2,569,267
Change in net assets	(53,507)	23,500	(30,007)
Net assets, beginning of year	2,498,946	31,000	2,529,946
Net assets, end of year	\$ 2,445,439	\$ 54,500	\$ 2,499,939
			2,868,923
			18,403
			2,511,543
			\$ 2,529,946

See notes to financial statements.

**NEW MORNING FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Flows Cash from Operating Activities		
Increase (decrease) in net assets	\$ (30,007)	\$ 18,403
Add Adjustments to Cash Basis		
Depreciation	7,333	13,590
Amortization of deferred charges	-	333
Prepaid expenses	4,863	(140)
Deferred charges	3,841	(528)
Accounts receivable	-	12,330
Accounts payable	15,809	(19,210)
Gain on sale of vehicle	-	(9,000)
Gain on sale of investments	(114,712)	(202,479)
Net cash flows (used in) operating activities	<u>(112,873)</u>	<u>(186,701)</u>
Cash Flows from Investing Activities		
Purchase of marketable securities	(1,113,682)	(873,861)
Sale of marketable securities	1,137,815	1,168,581
Unrealized depreciation on marketable securities	110,655	(134,193)
Purchase of office equipment	(7,498)	(4,570)
Net cash flows provided by investing activities	<u>127,290</u>	<u>155,957</u>
Cash Flows from Financing Activities		
Principal payments on note payable	-	(4,595)
Increase (decrease) in cash	14,417	(35,339)
Cash in all funds, beginning of year	<u>349,669</u>	<u>385,008</u>
Cash in all funds, end of year	<u><u>364,086</u></u>	<u><u>349,669</u></u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	<u>\$ -</u>	<u>\$ 104</u>

See notes to financial statements.

**NEW MORNING FOUNDATION
YEARS ENDED JUNE 30, 2015 AND 2014**

Notes to Financial Statements

Note 1. General Information and Summary of Significant Accounting Policies

Organization and general information: New Morning Foundation (the Foundation) was established February 25, 2002, as a nonprofit corporation, which is organized and operates exclusively within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation's mission is to improve sexual and reproductive health education, counseling, and clinical services for individuals below the age of 30 years. The Foundation receives and administers charitable gifts and grants, and it administers programs that advance its mission. The Foundation is a supporting organization of the Central Carolina Community Foundation, a publicly supported organization, which operates as a community foundation as described in Treasury Regulations Section 1.170A-9(e)(10). The Foundation paid Central Carolina Community Foundation administrative and management fees of \$ 33,880 and \$ 30,731 for the years ended June 30, 2015 and 2014, respectively.

Basis of accounting: The accounts of the Foundation are maintained on the accrual basis and in accordance with principles of fund accounting. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained such that resources for various purposes are classified for accounting and reporting into funds established according to their nature and purpose.

The Foundation adheres to the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in ASC Topic 958, *Not-for-Profit Entities*. ASC 958 establishes three required financial statements to be issued - Statement of Financial Position, Statement of Activities, and Statement of Cash Flows. In addition, it eliminated reporting by fund groups. It requires that the Statement of Financial Position report amounts for each of three classes of net assets - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets - based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions. These net assets include Board designated, are legally unrestricted and can be used in any Foundation activity.

Temporarily restricted net assets: Net assets include gifts and special grants subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets: Net assets include gifts and pledges, which require by donor restriction that the corpus is invested in perpetuity and only the income is made available for program operations in accordance with donor restrictions.

Marketable securities: The marketable securities are recorded at their fair market value at June 30, 2015 and 2014 and are summarized as follows:

	2015		2014	
	Cost	Market Value	Cost	Market Value
Equities	\$ 1,204,447	\$ 1,497,610	\$ 1,075,385	\$ 1,422,728
Mutual funds	304,104	306,548	791,068	825,835
Fixed income	448,608	424,456	-	-
Totals	\$ 1,957,159	\$ 2,228,614	\$ 1,866,453	\$ 2,248,563

**NEW MORNING FOUNDATION
YEARS ENDED JUNE 30, 2015 AND 2014**

Notes to Financial Statements

Note 1. General Information and Summary of Significant Accounting Policies (Continued)

Equipment and depreciation: It is the Foundation's policy to capitalize property and equipment over \$ 1,000. Lesser amounts are expensed. Equipment is capitalized at cost. Depreciation of office equipment and furniture is computed on the accelerated basis over estimated useful lives of five to seven years and the automobile is depreciated under the luxury limitation imposed by the Internal Revenue Service. Depreciation expense was \$ 7,333 and \$ 13,590 for the years ending June 30, 2015 and 2014, respectively.

Use of 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. Actual results could differ from those estimates.

Income taxes: The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the tax years before 2012.

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

Advertising: Advertising costs are charged to expense as incurred. Total advertising and promotional costs incurred were \$ 185,295 and \$ 10,275 for the years ended June 30, 2015 and 2014, respectively.

Note 2. Property and Equipment

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Equipment, furniture and web design	\$ 152,350	\$ 144,853
Less, accumulated depreciation	131,135	123,676
Totals	<u>\$ 21,215</u>	<u>\$ 21,177</u>

Note 3. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the supporting services and the programs which benefited from the related supporting expenses.

Note 4. Cash Deposits

Cash and cash equivalents consist of cash held in checking and investment brokerage accounts. At June 30, 2015 and June 30, 2014, the bank balances of the checking accounts were \$ 257,181 and \$ 362,278 and the carrying amounts were \$ 254,157 and \$ 289,344, respectively. There was \$ 7,181 in excess of federally insured limits at June 30, 2015. Cash held in brokerage accounts totaled \$ 109,929 at June 30, 2015, and \$ 60,325 at June 30, 2014.

NEW MORNING FOUNDATION
YEARS ENDED JUNE 30, 2015 AND 2014

Notes to Financial Statements

Note 5. Operating Leases

Building office leases: The Foundation leases office space in Columbia, South Carolina, under operating leases. The operating lease that began in February 2010 was terminated on June 3, 2015, and the Foundation was relocated to a new location under a new operating lease. The new operating lease began on May 14, 2015, and the Foundation may terminate the lease at any time after Thirty-Sixth (36th) full month following the commencement date. The Foundation incurred \$ 72,366 and \$ 64,222 in rent expense for the year ending June 30, 2015 and 2014. Additionally, the Foundation rents several parking spaces on a month to month basis.

Future minimum lease payments are as follows:

Year ending June 30	
2016	\$ 83,530
2017	68,408
2018	70,119
2019	71,872
2020	73,668
2021	37,289
Total	<u><u>\$ 404,886</u></u>

Equipment lease: The Foundation leases office equipment under an operating lease. The lease expense was \$ 5,939 and \$ 7,010 for the years ending June 30, 2015 and 2014, respectively.

Future minimum lease payments are as follows:

Year ending June 30	
2016	\$ 5,939
2017	495
Total	<u><u>\$ 6,434</u></u>

Vehicle lease: The Foundation leases two vehicles under an operating lease. The lease expense was \$8,070 and \$ 10,706 for the years ending June 30, 2015 and 2014, respectively.

Future minimum lease payments are as follows:

Year ending June 30	
2016	\$ 7,473
2017	5,208
Total	<u><u>\$12,681</u></u>

Note 6. Pension Plan

The Foundation sponsors a 401(k) retirement plan for all eligible employees. The Foundation's expense totaled \$ 43,812 and \$ 56,249 for the year ended June 30, 2015 and 2014, respectively.

Note 7. Fair Value Measurements

The Foundation's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by ASC 820-10, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical

**NEW MORNING FOUNDATION
YEARS ENDED JUNE 30, 2015 AND 2014**

Notes to Financial Statements

assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

Note 7. Fair Value Measurements (Continued)

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's 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.

Common stock and preferred stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at net asset value ("NAV").

Corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table set forth by level, within the fair value hierarchy, the Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	June 30, 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Common stock				
Basic materials	\$ 125,372	\$ -	\$ -	\$ 125,372
Services	254,685	-	-	254,685
Consumer goods	162,070	-	-	162,070
Consumer services	22,283	-	-	22,283
Financial services	267,201	-	-	267,201
Healthcare	179,971	-	-	179,971
Industrials	91,476	-	-	91,476
Technology	353,111	-	-	353,111
Utilities	41,441	-	-	41,441
Mutual funds				
Conservative allocation	70,610	-	-	70,610
Convertibles	115,531	-	-	115,531
Fixed income	424,456	-	-	424,456
Equity energy	120,407	-	-	120,407
Total investments at fair value	\$ 2,228,614	\$ -	\$ -	\$ 2,228,614

**NEW MORNING FOUNDATION
YEARS ENDED JUNE 30, 2015 AND 2014**

Notes to Financial Statements

Note 7. Fair Value Measurements (Continued)

Corporate bonds (continued):

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Assets				
Common stock				
Basic materials	\$ 150,085	\$ -	\$ -	\$ 150,085
Consumer goods	170,403	-	-	170,403
Consumer services	281,963	-	-	281,963
Financial services	204,994	-	-	204,994
Healthcare	170,969	-	-	170,969
Industrials	69,674	-	-	69,674
Technology	337,458	-	-	337,458
Utilities	37,182	-	-	37,182
Mutual funds				
Conservative allocation	74,766	-	-	74,766
Convertibles	63,668	-	-	63,668
Fixed income	599,559	-	-	599,559
Equity energy	87,842	-	-	87,842
Total investments at fair value	\$ 2,248,563	\$ -	\$ -	\$ 2,248,563

The following table summarized investments measured at fair value based on net asset value (NAV) per share as of June 30, 2015 and 2014:

	2015		
	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual Funds			
Conservative allocation funds	\$ 70,610	Daily	1 day
Convertible funds	115,531	Daily	1 day
Fixed income funds	424,456	Daily	1 day
Equity energy funds	120,407	Daily	1 day
Total	\$ 731,004		
2014			
	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual Funds			
Conservative allocation funds	\$ 74,766	Daily	1 day
Convertible funds	63,668	Daily	1 day
Fixed income funds	599,559	Daily	1 day
Equity energy funds	87,842	Daily	1 day
Total	\$ 825,835		

**NEW MORNING FOUNDATION
YEARS ENDED JUNE 30, 2015 AND 2014**

Notes to Financial Statements

Note 8. Assets Released from Restrictions

Net assets during the years ended June 30, 2015 and 2014, were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

	<u>2015</u>	<u>2014</u>
Tell Them Program	\$ -	\$ 3,802
National Institute of Reproductive Health	-	5,000
Choose Well Contraceptive Access Campaign	31,000	-
Advocates for the Youth	45,500	-
Women's Foundation of Mississippi	25,000	-
Total	<u>\$ 101,500</u>	<u>\$ 8,802</u>

Note 9. Temporarily Restricted Net Assets

At June 30, 2015, the temporarily restricted net assets are available for the following specific program services:

Advocated for the Youth	\$ 54,500
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Note 10. Subsequent Events

Management has evaluated subsequent events through January 8, 2016, the date on which the financial statements were available to be issued. Management did not identify any material subsequent events that require disclosure.