

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

**FINANCIAL REPORT - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2023**



# THE FOUNTAIN FUND

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
The Fountain Fund  
Charlottesville, Virginia

### ***Opinion***

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, 2023, 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).

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, 2023, 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 for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of THE FOUNTAIN FUND and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

To the Board of Directors  
The Fountain Fund

## **REPORT OF INDEPENDENT AUDITORS**

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FOUNTAIN FUND's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about THE FOUNTAIN FUND's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*HanTymon Wiebel LLP*

Charlottesville, Virginia  
June 12, 2024

# THE FOUNTAIN FUND

## STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS DECEMBER 31, 2023

### ASSETS

Cash and cash equivalents .....	\$ 1,734,273
Certificates of deposit .....	110,215
Loans receivable - net .....	<u>1,078,438</u>
Total assets .....	<u><u>\$ 2,922,926</u></u>

### LIABILITIES AND NET ASSETS

Recoverable grant .....	\$ 200,000
Notes payable .....	<u>144,477</u>
Total liabilities.....	<u>344,477</u>

### NET ASSETS

Net assets without donor restrictions:

Board-designated .....	784,305
Undesignated .....	<u>1,354,705</u>

Total net assets without donor restrictions ..... 2,139,010

Net assets with donor restrictions ..... 439,439

Total net assets ..... 2,578,449

Total liabilities and net assets ..... \$ 2,922,926

(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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE AND OTHER SUPPORT</b>			
Support from public:			
Public support .....	\$ 1,331,215	\$ 645,500	\$ 1,976,715
Governmental support .....	35,475	....	35,475
Total support from public .....	1,366,690	645,500	2,012,190
Other revenue:			
Loan program and bank interest income .....	22,052	....	22,052
Investment income .....	7,192	....	7,192
Total other revenue .....	29,244	....	29,244
Net assets released from restrictions:			
Satisfaction of program restrictions .....	686,953	( 686,953)	....
Total revenue and other support .....	2,082,887	( 41,453)	2,041,434
<b>EXPENSES</b>			
Program services .....	824,230	....	824,230
Management and general .....	163,449	....	163,449
Fund-raising .....	136,015	....	136,015
Total expenses .....	1,123,694	....	1,123,694
<b>CHANGE IN NET ASSETS</b> .....	959,193	( 41,453)	917,740
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	1,179,817	480,892	1,660,709
<b>NET ASSETS, END OF YEAR</b> .....	\$ 2,139,010	\$ 439,439	\$ 2,578,449

(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, 2023

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries .....	\$ 380,684	\$ 108,767	\$ 54,383	\$ 543,834
Employee benefits .....	39,044	9,209	4,839	53,092
Payroll taxes .....	29,390	8,397	4,199	41,986
Total salaries and related expenses .....	449,118	126,373	63,421	638,912
Programming expenses .....	100,267	....	....	100,267
Accounting professional fees .....	11,223	5,612	1,870	18,705
Payroll processing professional fees .....	7,266	2,076	1,038	10,380
Professional consulting fees .....	48,305	....	48,916	97,221
Office expenses .....	6,469	16,398	1,472	24,339
Occupancy .....	17,109	4,888	2,444	24,441
Utilities .....	4,734	1,353	676	6,763
Marketing, meetings, and development .....	35,831	....	15,884	51,715
Insurance .....	....	3,409	....	3,409
Miscellaneous .....	434	2,876	62	3,372
End-of-year loan adjustment .....	141,850	....	....	141,850
Staff development .....	1,624	464	232	2,320
	<b>\$ 824,230</b>	<b>\$ 163,449</b>	<b>\$ 136,015</b>	<b>\$ 1,123,694</b>

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

# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### DESCRIPTION OF ORGANIZATION

The Fountain 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, or transportation and housing costs, or to start a business.

To be considered for a loan, applicants must show:

- A record of past incarceration,
- Ability to pay back the loan, 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 Fountain 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 Fountain 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 Fountain Fund and/or the passage of time or will be held in perpetuity by The Fountain Fund.



# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### *Income Taxes*

The Fountain 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 Fountain 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.

### *Contributions*

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 Fountain 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 Fountain 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 Fountain Fund considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include amounts with donor restrictions for loan programs and operations in specific geographic areas totaling \$439,439.

### *Building, Property, Equipment, and Depreciation Methods*

The Fountain Fund capitalizes all property and equipment purchases over \$2,500. The Fountain Fund had no equipment purchases over the capitalization policy or depreciation expense during the year ended December 31, 2023.

# 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 Fountain Fund's policy to sell donated securities as soon as possible after they are received.

### *Donated Materials and Services*

The Fountain Fund records the value of donated goods when there is an objective basis available to measure their value. Management evaluates any donated services received and records the value of services received as a modification to the cash basis of accounting when reporting these items would yield a more materially accurate reflection of the true cost to operate The Fountain Fund. The Fountain Fund received donated services in the year ended December 31, 2023. Management has elected not to record the value of these services.

### *Loans Receivable and Related Interest Income*

The Fountain 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 principal and interest based on the original amortization schedule. Notes are written off when management assesses the amounts will not be repaid as evidenced by loans being 90+ days delinquent with no contact from the borrower. For the year ended December 31, 2023, The Fountain Fund established an allowance in anticipation of potential loan losses to more accurately reflect expected collections due to difficult economic conditions for borrowers. For the year ended December 31, 2023, the total loan write-off of \$141,850 consisted of current loan write-offs of \$166,221 less a reversal of the prior year allowance of \$24,371.

### *Functional Classification of Expenses*

The Fountain 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 June 12, 2024, which is the date the financial statements were available to be issued.

## CERTIFICATE OF DEPOSIT

The Fountain Fund holds certificates of deposit to provide it with advantageous returns on funds not required for immediate use. The certificates of deposit are renewable upon maturity. The Fountain Fund records interest on these certificates of deposit when received. The interest rates reflect the market rates at the time of origin.

# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### LOANS RECEIVABLE

The Fountain Fund provides secured and unsecured microloans to formerly incarcerated individuals as described in the **DESCRIPTION OF ORGANIZATION** note. The Fountain Fund conducts loan programs in the Charlottesville and Richmond markets in Virginia, in New Orleans, Louisiana, and in Philadelphia, Pennsylvania. Loans funded by geographic area as of December 31, 2023 are as follows:

	CHARLOTTESVILLE, VA	RICHMOND, VA	NEW ORLEANS, LA	PHILADELPHIA, PA,	TOTAL
Outstanding loans.....	<u>\$ 544,669</u>	<u>\$ 211,331</u>	<u>\$ 69,596</u>	<u>\$ 252,842</u>	<u>\$1,078,438</u>

Various loan receivable balances are secured by property of the borrowers. Secured and unsecured loans receivable as of December 31, 2023 are summarized as follows:

	CHARLOTTESVILLE, VA	RICHMOND, VA	NEW ORLEANS, LA	PHILADELPHIA, PA	TOTAL
Secured.....	\$ 467,667	\$ 194,118	\$ ....	\$ 237,666	\$ 899,451
Unsecured.....	<u>77,002</u>	<u>17,213</u>	<u>69,596</u>	<u>15,176</u>	<u>178,987</u>
	<u>\$ 544,669</u>	<u>\$ 211,331</u>	<u>\$ 69,596</u>	<u>\$ 252,842</u>	<u>\$1,078,438</u>

Loans receivable held by The Fountain Fund by collection status as of December 31, 2023 are summarized as follows:

	CHARLOTTESVILLE, VA	RICHMOND, VA	NEW ORLEANS, LA	PHILADELPHIA, PA	LOAN BALANCE	LOANS INCLUDED
Performing.....	\$ 494,393	\$ 205,906	\$ 60,392	\$ 228,262	\$ 988,953	211
Delinquent 60 – 90 days ..	7,419	2,106	8,175	24,580	42,280	11
Delinquent >90 days .....	<u>42,857</u>	<u>3,319</u>	<u>1,029</u>	<u>....</u>	<u>47,205</u>	<u>12</u>
	<u>\$ 544,669</u>	<u>\$ 211,331</u>	<u>\$ 69,596</u>	<u>\$ 252,842</u>	<u>\$1,078,438</u>	<u>234</u>

For the year ended December 31, 2023, management deemed 60 loans in default classification as uncollectible and the net unsecured balances, totaling \$166,221, were written off. An allowance of \$24,371 established in the prior year was reversed. Management has elected not to establish an allowance at December 31, 2023.

# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

A schedule of loan activity for the year ended December 31, 2023 is summarized as follows:

Loans receivable at December 31, 2022 .....	\$ 595,925
Loans funded in 2023 .....	962,072
Less: Loan repayments in 2023 .....	(337,709)
End of year write off and allowance adjustment.....	<u>(141,850)</u>
Loans receivable at December 31, 2023 .....	<u>\$1,078,438</u>

### CONCENTRATION OF CREDIT RISK

The Fountain 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.

### NOTES PAYABLE

The Fountain Fund has entered into three unsecured loan agreements with CBA Fund (CBA), a nonprofit organization based in Washington, DC. The borrowed amounts are to provide funding for the Fountain Fund's loan programs. The principal amount of the loans were \$90,000, \$77,000, and \$75,000, and each loan bears interest at 2% annually. The Fountain Fund will make annual payments on the two loans maturing in 2024 totaling \$70,869, including principal and interest. The third loan matures in 2026 and requires annual payments of \$26,007.

The future scheduled maturities of long-term debt as of December 31, 2023 are as follows:

2024.....	\$ 93,984
2025.....	24,997
2026.....	<u>25,496</u>
Total .....	<u>\$144,477</u>

Total interest obligations related to these notes amount to \$2,752 as of December 31, 2023.

### RECOVERABLE GRANT

The Fountain Fund received grant funding during the year ended December 31, 2023 to be used to fund the Philadelphia loan program. The Fountain Fund may charge administrative expenses and any loan losses to the grant. Any recoverable funds on hand at the end of the grant period are to be returned to the granting agency. The grant period ends December 15, 2028.

# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2023 consist of undesignated funds and funds designated by the Board of Directors for specified purposes as follows:

Undesignated .....	\$1,354,705
Board-designated net assets:	
Loan program .....	<u>784,305</u>
Total net assets without donor restrictions .....	<u>\$2,139,010</u>

### 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 Fountain 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, 2023, net assets with donor restrictions consist of the following:

Cash restricted for:	
Client Partner Assistance .....	\$ 11,047
New Orleans Loan Program .....	74,362
Boston Loan Program.....	47,500
Philadelphia Loan Program.....	115,084
Richmond Loan Program.....	81,946
Philadelphia Expansion.....	<u>109,500</u>
Total net assets with donor restrictions .....	<u>\$439,439</u>

### RETIREMENT PLAN

In 2020, The Fountain Fund adopted a plan allowing all qualified employees to invest a portion of their current earnings into an employees' SIMPLE IRA plan. The Fountain Fund matches up to 1% of employee compensation based on the terms of the plan. Match payments for the year 2023 totaled \$9,396.

### RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, The Fountain Fund paid for services from the spouse of the Executive Director. The Fountain Fund paid \$7,945 related to communications and marketing. The amounts incurred for the communications and marketing services reflects a \$3,340 reduction for donated services in support of The Fountain Fund.

# THE FOUNTAIN FUND

## NOTES TO FINANCIAL STATEMENTS

### LIQUIDITY AND AVAILABILITY

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

The Fountain 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, 2023:

Cash without donor restrictions .....	\$1,294,834
Less recoverable grant .....	<u>(200,000)</u>
Cash available for operations .....	<u>\$1,094,834</u>

### OPERATING LEASE

The Fountain Fund leases its office space from Jefferson School Foundation. In 2017, The Fountain Fund and the lessor entered into an agreement providing for a five-year lease for the period December 1, 2017 to November 30, 2022. The lease was renewed with the new term ending December 1, 2027. Total rent payments in 2023 were \$24,442. The new lease calls for monthly rent payments of \$1,632 through November 30, 2023 with scheduled rent increases thereafter. Subsequent to November 30, 2023, the lease may be cancelled by either party with 6 months’ notice.

Future minimum payments relating to this lease agreement, without regard to cancellation options, are as follows:

2024 .....	\$ 20,111
2025 .....	20,614
2026 .....	21,129
2027 .....	<u>19,811</u>
Total.....	<u>\$ 81,665</u>

### CONCENTRATIONS

For the year ended December 31, 2023, The Fountain Fund received 40% of its reported support from three donors.