

THE FOUNTAIN FUND
CHARLOTTESVILLE, VIRGINIA

FINANCIAL REPORT - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021



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, 2021, 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, 2021, 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 ***Auditor's 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

Auditor's 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 auditor's 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.



Charlottesville, Virginia
April 27, 2022

THE FOUNTAIN FUND

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 890,610
Certificates of deposit	10,190
Loans receivable	<u>468,052</u>
Total assets	<u>\$ 1,368,852</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Note payable	<u>\$ 89,100</u>
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NET ASSETS

Net assets without donor restrictions:

Board-designated	258,997
Undesignated	<u>974,080</u>

Total net assets without donor restrictions	1,233,077
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Net assets with donor restrictions	<u>46,675</u>
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Total net assets	<u>1,279,752</u>
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Total liabilities and net assets	<u>\$ 1,368,852</u>
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(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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND OTHER SUPPORT			
Support from public:			
Public support	\$ 360,624	\$ 69,493	\$ 430,117
Paycheck Protection Program grant .....	....	43,447	43,447
Loan program interest income	12,285	....	12,285
	372,909	112,940	485,849
Other revenue:			
Investment income	46	....	46
Net assets released from restrictions:			
Satisfaction of program restrictions	309,637	(309,637)	....
	682,592	(196,697)	485,895
EXPENSES			
Program services	336,898	....	336,898
Management and general	65,994	....	65,994
Fund-raising	60,374	....	60,374
	463,266	....	463,266
CHANGE IN NET ASSETS	219,326	(196,697)	22,629
NET ASSETS, BEGINNING OF YEAR	1,013,751	243,372	1,257,123
NET ASSETS, END OF YEAR	\$ 1,233,077	\$ 46,675	\$ 1,279,752

(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, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Salaries	\$ 152,625	\$ 43,607	\$ 21,804	\$ 218,036
Employee benefits	12,695	3,398	1,727	17,820
Payroll taxes	9,429	2,694	1,347	13,470
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	174,749	49,699	24,878	249,326
Programming expenses	56,133	....	....	56,133
Accounting professional fees	8,430	4,215	1,405	14,050
Payroll processing professional fees	2,276	650	325	3,251
Professional consulting fees	22,163	....	22,163	44,326
Office expenses	5,804	3,118	2,599	11,521
Occupancy	12,788	3,654	1,827	18,269
Utilities	3,013	861	430	4,304
Conferences, conventions, and meetings	212	61	6,658	6,931
Insurance .....	....	3,258	....	3,258
Miscellaneous	2,589	178	89	2,856
Provision for loan losses	48,741	....	....	48,741
General and administrative .....	....	300	....	300
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 336,898</u>	<u>\$ 65,994</u>	<u>\$ 60,374</u>	<u>\$ 463,266</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, or 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, 2021.

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, 2021.

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 principal 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, 2021.

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 April 27, 2022, 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, 2021 are summarized as follows:

	LOAN BALANCE
Secured	\$321,821
Unsecured	<u>146,231</u>
	<u>\$468,052</u>

Loans receivable delinquencies as of December 31, 2021 are summarized as follows:

	LOAN BALANCE	LOANS INCLUDED
Performing	\$399,717	84
Deferral Program	21,311	18
Delinquent 30 - 60 days	42,325	13
Delinquent 60 - 90 days	4,699	11
Delinquent >90 days	<u>.....</u>	<u>.....</u>
	<u>\$468,052</u>	<u>126</u>

As of December 31, 2021, management deemed 20 loans in default classification as uncollectible and the net unsecured balances, totaling \$48,741, were charged off to program expenses.

A schedule of loan activity for the year ended December 31, 2021 is summarized as follows:

Loans receivable at December 31, 2020.....	\$317,820
Loans funded in 2021.....	399,717
Less: Loan repayments in 2021.....	(200,744)
End of year write off.....	<u>(48,741)</u>
Ending loan receivable.....	<u>\$468,052</u>

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.

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

NOTE PAYABLE

The Fund entered into an unsecured loan agreement with Credit Builders Alliance (CBA) on August 31, 2021. The principal amount of the loan was for \$90,000 and bears interest at 2% annually. The Fund will pay \$31,208, including principal and interest, per year for three years beginning in 2022.

The future scheduled maturities of long term debt at December 31, 2021 are as follows:

2022.....	\$ 28,408
2023.....	29,996
2024.....	<u>30,696</u>
Total	<u>\$ 89,100</u>

Total interest obligations related to this note amount to \$3,624 as of December 31, 2021.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2021 consist of undesignated funds and funds designated by the Board of Directors for specified purposes as follows:

Undesignated	\$ 974,080
Board-designated net assets:	
Loan program	<u>258,997</u>
Total net assets without donor restrictions	<u>\$1,233,077</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 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, 2021, net assets with donor restrictions consist of the following:

Cash restricted for:	
Client Partner Assistance	\$ 7,675
Loan payment relief	<u>39,000</u>
Total net assets with donor restrictions	<u>\$ 46,675</u>

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

RETIREMENT PLAN

In 2020, the Fund adopted a plan allowing all qualified employees to invest a portion of their current earnings into an employees' SIMPLE IRA plan. The Fund matches up to 1% of employee compensation based on the terms of the plan. Match payments for the year 2021 totaled \$1,103.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Fund paid for services from two related parties. The Fund paid approximately \$1,910 related to communications and marketing worth approximately \$4,430. The discount was given by a company owned by the spouse of the executive director. Additionally, the Fund paid approximately \$2,300 for the production of a video valued at approximately \$3,780. The discount was given through the company of a Board member.

PAYCHECK PROTECTION PROGRAM FUNDING

In January 2021, the Fund obtained a second round of funding in the amount of \$43,447 through the Paycheck Protection Program (PPP funding). The proceeds of this loan were fully forgiven in June 2021. The Fund has elected to account for the PPP funding using the conditional grant model.

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, 2021:

Cash without donor restrictions \$843,935

OPERATING LEASE

The Fund leases its office space from Jefferson School Foundation. Total rent payments in 2021 were \$18,268.

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 Fund anticipates renewing this lease in 2022.

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

2022 \$ 17,521

THE FOUNTAIN FUND

NOTES TO FINANCIAL STATEMENTS

CONCENTRATIONS

For the year ended December 31, 2021, the Fund received 12% of its reported support from one donor.

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.