

**Gulf Coast Community Foundation, Inc.
and its Supporting Organizations**

Consolidated Financial Statements
and Independent Auditor's Report
June 30, 2018 and 2017



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Independent Auditor's Report

The Board of Directors
Gulf Coast Community Foundation, Inc. and its Supporting Organizations
Venice, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Coast Community Foundation, Inc. and its Supporting Organizations (Gulf Coast) (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gulf Coast Community Foundation, Inc. and its Supporting Organizations as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sarasota, Florida
March 7, 2019



Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 30,696,536	\$ 16,381,767
Investments	292,328,138	273,517,791
Contributions receivable, net	379,313	396,166
Charitable remainder trusts	3,509,976	1,856,514
Other assets, net	706,412	102,754
Property and equipment, net	<u>3,055,403</u>	<u>3,233,748</u>
 Total Assets	 <u>\$ 330,675,778</u>	 <u>\$ 295,488,740</u>
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 436,231	\$ 329,273
Grants, grant initiatives and scholarships payable	1,950,426	1,451,461
Note payable	1,467,023	1,528,138
Annuity liability	6,168,380	5,667,284
Funds held for the benefit of others	<u>14,854,708</u>	<u>13,527,977</u>
 Total liabilities	 <u>24,876,768</u>	 <u>22,504,133</u>
 Net Assets:		
Unrestricted	295,615,070	264,269,954
Temporarily restricted	10,046,823	8,574,861
Permanently restricted	<u>137,117</u>	<u>139,792</u>
 Total net assets	 <u>305,799,010</u>	 <u>272,984,607</u>
 Total Liabilities and Net Assets	 <u>\$ 330,675,778</u>	 <u>\$ 295,488,740</u>

See accompanying notes to consolidated financial statements.

**Gulf Coast Community Foundation, Inc.
and its Supporting Organizations**

Consolidated Statement of Activities

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2017</u>
Support, Revenue and Releases:					
Contributions	\$ 54,883,600	\$ 1,340,585	\$ -	\$ 56,224,185	\$ 36,844,057
Interest and dividend income	6,374,393	497,461	3,069	6,874,923	5,183,377
Net realized and unrealized gain on investments	10,072,208	790,773	7,259	10,870,240	21,214,026
Change in value of split interest agreements	-	(146,474)	-	(146,474)	(330,549)
Other revenue (expense)	331,535	(137,149)	(1,386)	193,000	210,308
Transfers	11,617	-	(11,617)	-	-
Net assets released from restrictions	873,234	(873,234)	-	-	-
Total support, revenue and releases	<u>72,546,587</u>	<u>1,471,962</u>	<u>(2,675)</u>	<u>74,015,874</u>	<u>63,121,219</u>
Expenses:					
Program expenses:					
Program grants and scholarships	33,036,190	-	-	33,036,190	30,000,811
Grant initiatives	4,096,035	-	-	4,096,035	4,169,967
Program services	557,661	-	-	557,661	698,513
Total program expenses	<u>37,689,886</u>	<u>-</u>	<u>-</u>	<u>37,689,886</u>	<u>34,869,291</u>
Management and general	1,492,934	-	-	1,492,934	1,114,652
Investment manager fees	988,240	-	-	988,240	951,715
Donor development	1,030,411	-	-	1,030,411	971,533
Total expenses	<u>41,201,471</u>	<u>-</u>	<u>-</u>	<u>41,201,471</u>	<u>37,907,191</u>
Change in net assets	<u>31,345,116</u>	<u>1,471,962</u>	<u>(2,675)</u>	<u>32,814,403</u>	<u>25,214,028</u>
Net assets, beginning of year	<u>264,269,954</u>	<u>8,574,861</u>	<u>139,792</u>	<u>272,984,607</u>	<u>247,770,579</u>
Net assets, end of year	<u>\$ 295,615,070</u>	<u>\$ 10,046,823</u>	<u>\$ 137,117</u>	<u>\$ 305,799,010</u>	<u>\$ 272,984,607</u>

See accompanying notes to consolidated financial statements.

**Gulf Coast Community Foundation, Inc.
and its Supporting Organizations**

Consolidated Statement of Activities

Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2018)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2018</u>
Support, Revenue and Releases:					
Contributions	\$ 36,342,378	\$ 501,679	\$ -	\$ 36,844,057	\$ 56,224,185
Interest and dividend income	4,807,034	373,658	2,685	5,183,377	6,874,923
Net realized and unrealized gain on investments	19,842,550	1,356,551	14,925	21,214,026	10,870,240
Change in value of split interest agreements	-	(330,549)	-	(330,549)	(146,474)
Other revenue (expense)	340,264	(129,286)	(670)	210,308	193,000
Transfers	12,370	-	(12,370)	-	-
Net assets released from restrictions	585,458	(585,458)	-	-	-
Total support, revenue and releases	<u>61,930,054</u>	<u>1,186,595</u>	<u>4,570</u>	<u>63,121,219</u>	<u>74,015,874</u>
Expenses:					
Program expenses:					
Program grants and scholarships	30,000,811	-	-	30,000,811	33,036,190
Grant initiatives	4,169,967	-	-	4,169,967	4,096,035
Program services	698,513	-	-	698,513	557,661
Total program expenses	<u>34,869,291</u>	<u>-</u>	<u>-</u>	<u>34,869,291</u>	<u>37,689,886</u>
Management and general	1,114,652	-	-	1,114,652	1,492,934
Investment manager fees	951,715	-	-	951,715	988,240
Donor development	971,533	-	-	971,533	1,030,411
Total expenses	<u>37,907,191</u>	<u>-</u>	<u>-</u>	<u>37,907,191</u>	<u>41,201,471</u>
Change in net assets	<u>24,022,863</u>	<u>1,186,595</u>	<u>4,570</u>	<u>25,214,028</u>	<u>32,814,403</u>
Net assets, beginning of year as previously stated	239,340,722	7,388,266	135,222	246,864,210	272,984,607
Prior period adjustment (Note 14)	906,369	-	-	906,369	-
Net assets, beginning of year as restated	<u>240,247,091</u>	<u>7,388,266</u>	<u>135,222</u>	<u>247,770,579</u>	<u>272,984,607</u>
Net assets, end of year	<u>\$ 264,269,954</u>	<u>\$ 8,574,861</u>	<u>\$ 139,792</u>	<u>\$ 272,984,607</u>	<u>\$ 305,799,010</u>

See accompanying notes to consolidated financial statements.

**Gulf Coast Community Foundation, Inc.
and its Supporting Organizations**

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 32,814,403	\$ 25,214,028
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash donations	(20,996,961)	(17,615,287)
Net realized and unrealized gain on investments	(10,870,240)	(21,214,026)
Depreciation	163,353	177,550
Depreciation related to rental properties	21,743	21,375
Change in value of split interest agreements	146,474	330,549
Change in operating assets:		
Contributions receivable, net	16,853	48,173
Charitable remainder trusts	(1,653,462)	(74,940)
Other assets, net	(603,658)	(13,421)
Change in operating liabilities:		
Accounts payable and accrued expenses	106,958	84,720
Grants, grant initiatives and scholarships payable	498,965	(213,197)
Annuity liability	354,622	(600,631)
Funds held for the benefit of others	1,326,731	997,545
Income restricted for long-term purposes:		
Contributions	(1,340,585)	(501,679)
Interest and dividend income	(500,530)	(376,343)
Net cash provided by (used in) operating activities	(515,334)	(13,735,584)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	51,054,579	38,467,222
Purchase of investments	(37,997,725)	(26,388,559)
Purchases of property and equipment	(6,751)	(55,925)
Net cash provided by investing activities	13,050,103	12,022,738
Cash Flows from Financing Activities:		
Principal payments of notes payable	(61,115)	(58,477)
Income restricted for long-term purposes:		
Contributions	1,340,585	501,679
Interest and dividend income	500,530	376,343
Net cash provided by financing activities	1,780,000	819,545
Change in cash and cash equivalents	14,314,769	(893,301)
Cash and cash equivalents, beginning of year	16,381,767	17,275,068
Cash and cash equivalents, end of year	\$ 30,696,536	\$ 16,381,767

See accompanying notes to consolidated financial statements.

Gulf Coast Community Foundation, Inc. and its Supporting Organizations

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

I. Organization

Together with our donors, Gulf Coast Community Foundation, Inc. (Gulf Coast) and its supporting organizations transform our region through bold and proactive philanthropy. Gulf Coast is a public charity that was created from the sale of The Venice Hospital in 1995. Since then, the foundation has grown to include more than 900 charitable funds established by donors and invested more than \$330 million in grants and initiatives in the areas of health and human services, civic and economic development, education, arts and culture, and the environment.

Gulf Coast Community Foundation, Inc. has three supporting organizations: The Venice Endowment, Inc.; Gulf Coast Strategic Investments, Inc. (GCSI); and Gulf Coast SO, Inc. Additionally, GCSI is the sole member of NJT, a limited liability company.

The Venice Endowment, Inc. received \$85 million from the August 31, 1995, sale of The Venice Hospital to Bon Secours Health System. Including assets previously held by The Venice Hospital, net assets of The Venice Endowment, Inc. as of September 1, 1995, were approximately \$92 million. The Venice Endowment, Inc.'s purpose is to fulfill the charitable, educational, scientific, and cultural needs of the people of the City of Venice, Florida, and surrounding communities. It is organized and at all times shall be operated exclusively for the benefit of, to perform the functions of, and to carry out the purposes of Gulf Coast Community Foundation, Inc.

Until June 30, 2009, The Venice Endowment, Inc. held these assets, distributed grants, and collected income and contributions. On July 1, 2009, all component funds of The Venice Endowment, Inc. were transferred to Gulf Coast Community Foundation, Inc. These component funds continue to be held and managed by Gulf Coast Community Foundation, Inc. As of June 30, 2018, the net asset value of The Venice Endowment component funds is approximately \$133 million. Since inception, investments in grants, initiatives, and scholarships from these funds have totaled approximately \$120 million.

Donors

At Gulf Coast Community Foundation, our mission begins "together with our donors." Their gifts help power the actions we take every day to transform our region. Our Gulf Coast family of donors includes individuals, families, corporations, and organizations.

Gulf Coast works in thoughtful coordination with these donors and their legal, financial, and tax advisors to create custom philanthropic action plans and steward their gifts to meet their wishes. Whether it's a donor advised fund to support their favorite charities or a planned estate gift that will create a permanent charitable endowment in their name, Gulf Coast listens to what each donor envisions for their giving and then helps turn their vision into reality.

Gulf Coast also offers donors intelligence on emerging community issues and assistance from our professional staff in identifying charitable projects most compatible with their interests. By engaging donors in Gulf Coast's regional initiatives, the foundation can help them have a much greater philanthropic impact in the community than they might on their own.

Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

I. Organization (Continued)

Community Investment

In its role as a regional leader, Gulf Coast Community Foundation identifies priority issues through quantitative and qualitative research, then creates and funds catalytic community initiatives that target those priorities. These initiatives typically involve cross-sector collaboration and aim to leverage additional philanthropic funding from within and beyond our region.

Among the initiatives in which Gulf Coast and our donors invested this year are:

- Improving and better coordinating services for **chronically homeless adults** and for **unaccompanied homeless youth** in Sarasota County
- Helping first-graders in Sarasota County Schools who struggle the most with reading and writing through intensive literacy intervention (**Reading Recovery**)
- Fostering civility throughout our public school district (**Because It Matters**)
- Planning for sustainable redevelopment of the Sarasota Bayfront (**The Bay**)
- Strategically responding to the **opioid overdose epidemic** in Sarasota and Manatee counties, and initiating strategies in all Sarasota County high schools to prevent at-risk students from engaging in dangerous substance abuse activities
- Strengthening the board governance and operational effectiveness of nonprofit organizations throughout our region (**Invest in Incredible**)
- Examining the **mental health needs** of children, youth, and young adults in the region to inform the creation of a strategic framework to improve mental well-being of individuals and their families

Gulf Coast also funds a variety of grants to support the work of nonprofit organizations in the region. Our grant programs include Leveraged Grants, which fund collaborative projects and programs that target regional priorities in measurable ways; Community Grants, which fund smaller projects at regional nonprofit organizations that can have significant impact in the community; Sponsorship Grants, which help our nonprofit partners maximize activities designed to raise funds and awareness for their work; and Arts Appreciation Grants, which provide unrestricted funding to cornerstone arts and cultural organizations in the region to help them meet their artistic missions.

2. Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements and notes are representations of Gulf Coast's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements. Within the accompanying consolidated financial statements, all significant inter-company transactions and accounts have been eliminated.

Basis of Accounting

Gulf Coast prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

Gulf Coast considers all short-term, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents include money market funds, which are readily convertible to cash, and are stated at cost which approximates fair value.

Grants, Grant Initiatives, Scholarships Payable and Expense

Grants, grant initiatives and scholarships payable consist of amounts which have been approved by the Board of Directors, but have not yet been paid to the recipients. Some grants made by the Board of Directors are contingent on activities to be performed by the recipient and funds are not released until those obligations are fulfilled. Grants, grant initiatives and scholarships are recorded as program grant expense when approved by the Board of Directors and committed and communicated to recipients. Occasionally grants approved by the Board are awarded based on a multi-year payment schedule. Multi-year grants are recorded as expense and payable when approved and committed and communicated to recipients.

Variance Power

Accounting principles generally accepted in the United States of America and the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification (ASC) provide that if the governing body of an organization has the unilateral power to redirect the use of donor contributions to another beneficiary, such contribution must be classified as unrestricted net assets.

The Board of Directors of Gulf Coast has the ability known as variance power; however, the Board of Directors would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, Gulf Coast's consolidated financial statements classify the majority of funds, including the corpus of certain donor advised funds, as unrestricted net assets, but segregate for internal management and record keeping the portion that is held as donor advised from the funds that are currently available for grants administration.

The FASB ASC provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). Gulf Coast has determined its net assets do not meet the definition of an endowment under UPMIFA. However, Gulf Coast manages funds established by donors as endowed funds in accordance with terms set forth in the individual agreements.

Investments

Investments are stated at fair value, which represents the value on the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these market fluctuations. Gains or losses on securities sold are computed on a specific identification basis.

Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment have been recorded at historical cost or fair value on the date of the donation. Gulf Coast capitalizes property and equipment purchases which exceed \$500 that significantly add to the productivity or extend the useful lives of property and equipment. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of estimated useful lives is as follows:

Building and improvements	7 to 39 years
Equipment	3 to 20 years

Funds Held for the Benefit of Others

Gulf Coast accounts for funds held for the benefit of others in accordance with FASB Accounting Standards Codification Topic 958, *Not-for-Profit Entities*. This Topic establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investments of those assets or both to another entity that is specified by the donor. The ASC specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such asset as a liability. Gulf Coast refers to such funds as funds held for the benefit of others in the accompanying consolidated statements of financial position. Gulf Coast maintains variance power and legal ownership of certain funds held for the benefit of others and as such, continues to report the funds as assets of Gulf Coast. However, a liability has been established for the fair value of the funds.

Revenue Recognition and Contributions Receivable

Gulf Coast recognizes contributions when a written commitment from a donor is received. Typically, Gulf Coast does not solicit pledges for contributions. Gulf Coast occasionally receives grant revenue from other not-for-profit organizations. This grant revenue is recorded as a contribution when the revenue is awarded on an unconditional basis.

Gulf Coast assesses the collectability of contributions receivable and provides an allowance for uncollectable contributions. Gulf Coast considers all contributions to be collectable as of June 30, 2018 and 2017 and therefore has not provided for an allowance in these consolidated financial statements.

Income Tax Status

Gulf Coast Community Foundation, Inc. and its supporting organizations have been recognized by the Internal Revenue Service as tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code. Income earned in furtherance of Gulf Coast's tax-exempt purpose is exempt from federal and state income taxes. Therefore, no provision for income taxes has been provided for.

Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

Under the Income Taxes Topic of the FASB Accounting Standards Codification, Gulf Coast has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the consolidated financial statements.

Gulf Coast files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which Gulf Coast is subject include fiscal years ended June 30, 2015 through June 30, 2018.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Financial Instruments Not Measured at Fair Value

Certain of Gulf Coast's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, contributions receivable, net, other assets, net, accounts payable and accrued expenses, and grants, grant initiatives and scholarships payable.

Restricted Support

Gulf Coast reports gifts of cash and other assets as restricted support 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 assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, Gulf Coast records the support as unrestricted. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by Gulf Coast. Generally, the donors of these assets permit Gulf Coast to use all or part of the income earned on related investments for general or specific purposes.

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

Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Split Interest Agreements

Gulf Coast has been named remainderman in several irrevocable charitable remainder trusts and gift annuities. Gulf Coast's beneficial interest in the trusts' assets is measured at the present value of the estimated future distributions expected to be received. Conversely, Gulf Coast's estimated annuity liability related to gift annuities is measured at the present value of the estimated future payments to be made. The Applicable Federal Rate (AFR) is utilized to measure the present value of future distributions which are based upon the stated rate of return, ranging from 5.0% to 8.0% of the fair value of the trusts' investments, and annuity payout rates ranging from 4.3% to 11.3%, to be received by the designated beneficiaries over the terms of the trusts and annuities.

Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Split Interest Agreements (Continued)

Contributions of gift annuities and charitable remainder trusts included as such on the consolidated statements of activities were \$1,075,824 and \$247,948 for the years ended June 30, 2018 and 2017, respectively.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as change in value of split interest agreements in the consolidated statements of activities. The amounts of related assets and liabilities are based on estimated maturity of the agreements. Actual results could differ from those estimates.

Charitable remainder trusts and charitable gift annuities are classified as temporarily restricted. Once the beneficial interest is passed to Gulf Coast, the remaining assets are released for unrestricted use. Distributions of the annuities are paid from income first, then as a release of principal, if necessary.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services that benefited.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosure for all investments for which fair value is measured using the NAV per share practical expedient. The Foundation elected to adopt ASU 2015-07 for its fiscal year ended June 30, 2018, and has applied the amendments retrospectively to the fiscal year ended June 30, 2017.

3. Property and Equipment

Property and equipment consists of the following as of June 30:

	2018	2017
Land and improvements	\$ 766,040	\$ 766,040
Buildings and improvements	3,540,635	3,540,635
Equipment	536,962	530,211
	<u>4,843,637</u>	<u>4,836,886</u>
Less accumulated depreciation	(1,788,234)	(1,603,138)
Property and equipment, net	<u>\$ 3,055,403</u>	<u>\$ 3,233,748</u>

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$185,096 and \$198,925, of which \$21,743 and \$21,375 relate to rental property, respectively.

Gulf Coast Community Foundation, Inc.
and its Supporting Organizations
Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

4. Funds Held for the Benefit of Others

Gulf Coast maintains funds held for the benefit of others as a component part of its investment funds. These funds are pooled and managed in the same manner as all other investments held by Gulf Coast. These funds and the corresponding liability totaled \$14,854,708 and \$13,527,977 as of June 30, 2018 and 2017, respectively. The following is a summary of the activity for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Contributions to funds held for the benefit of others	\$ 1,948,207	\$ 1,815,241
Investment income	\$ 303,127	\$ 226,859
Realized and unrealized gain on investments	\$ 617,750	\$ 1,212,550
Grant payments	\$ (1,439,485)	\$ (2,160,112)
Investment management and administrative fees	\$ (102,876)	\$ (96,993)

The amounts reflected in the consolidated statements of activities for the years ended June 30, 2018 and 2017 are presented net of the activity summarized above related to the funds held for the benefit of others.

5. Fair Value of Financial Assets and Liabilities

Gulf Coast values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. The *Fair Value Measurements and Disclosures* Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

This Topic requires Gulf Coast to present fair value measurements separately for each class of assets and liabilities held as of June 30, 2018 and 2017. The following table presents information about the classes of assets and liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect Gulf Coast's assumptions based on the best information available in the circumstances.

Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

5. Fair Value of Financial Assets and Liabilities (Continued)

Description	Fair Value June 30, 2018	Level 1	Level 2	Level 3
Assets:				
Equity Securities:				
Large cap blend	\$ 22,842,087	\$ 22,842,087	\$ -	\$ -
Large cap value	38,605,682	38,605,682	-	-
Large cap growth	45,942,114	45,942,114	-	-
Mid cap	3,804,547	3,804,547	-	-
Small cap	3,367,257	3,367,257	-	-
International	67,375,434	67,375,434	-	-
Emerging markets	18,902,714	18,902,714	-	-
Balanced funds	588,493	588,493	-	-
Total equity securities	<u>201,428,328</u>	<u>201,428,328</u>	<u>-</u>	<u>-</u>
Fixed Income:				
U.S. corporate fixed income	17,559,032	17,559,032	-	-
U.S. government fixed income	6,242,386	6,242,386	-	-
U.S. securitized fixed income	3,611,200	3,611,200	-	-
Opportunistic	3,554,576	3,554,576	-	-
TIPS fund	5,032,196	5,032,196	-	-
Ultra-short term bond	1,305,951	1,305,951	-	-
Bond funds	17,193,954	17,193,954	-	-
Total fixed income	<u>54,499,295</u>	<u>54,499,295</u>	<u>-</u>	<u>-</u>
Other Investments:				
Commodities	12,996,181	12,996,181	-	-
Currency	30,512	30,512	-	-
Hedge fund	389,145	389,145	-	-
Preferred stock	2,018,028	-	-	2,018,028
REIT	545,907	545,907	-	-
Land and other real estate held for investment	110,400	-	110,400	-
Total other investments	<u>16,090,173</u>	<u>13,961,745</u>	<u>110,400</u>	<u>2,018,028</u>
Investments measured at net asset value*	20,310,342	-	-	-
Total investments	<u>292,328,138</u>	<u>269,889,368</u>	<u>110,400</u>	<u>2,018,028</u>
Charitable remainder trusts	3,509,976	-	-	3,509,976
Total Assets at Fair Value	<u>\$ 295,838,114</u>	<u>\$ 269,889,368</u>	<u>\$ 110,400</u>	<u>\$ 5,528,004</u>
Liabilities:				
Annuity liability	\$ 6,168,380	\$ -	\$ -	\$ 6,168,380
Funds held for the benefit of others	14,854,708	14,854,708	-	-
Total Liabilities at Fair Value	<u>\$ 21,023,088</u>	<u>\$ 14,854,708</u>	<u>\$ -</u>	<u>\$ 6,168,380</u>

Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

5. Fair Value of Financial Assets and Liabilities (Continued)

Description	Fair Value June 30, 2017	Level 1	Level 2	Level 3
Assets:				
Equity Securities:				
Large cap blend	\$ 22,550,005	\$ 22,550,005	\$ -	\$ -
Large cap value	34,000,201	34,000,201	-	-
Large cap growth	37,157,877	37,157,877	-	-
Mid cap	2,685,945	2,685,945	-	-
Small cap	2,438,580	2,438,580	-	-
International	61,986,965	61,986,965	-	-
Emerging markets	18,983,562	18,983,562	-	-
Balanced funds	652,297	652,297	-	-
Total equity securities	<u>180,455,432</u>	<u>180,455,432</u>	<u>-</u>	<u>-</u>
Fixed Income:				
U.S. corporate fixed income	11,399,818	11,399,818	-	-
U.S. government fixed income	6,292,627	6,292,627	-	-
U.S. securitized fixed income	3,617,841	3,617,841	-	-
Opportunistic	3,169,528	3,169,528	-	-
TIPS fund	4,399,878	4,399,878	-	-
Ultra-short term bond	1,291,354	1,291,354	-	-
Bond funds	11,260,218	11,260,218	-	-
Total fixed income	<u>41,431,264</u>	<u>41,431,264</u>	<u>-</u>	<u>-</u>
Other Investments:				
Commodities	10,832,262	10,832,262	-	-
Hedge fund	392,587	392,587	-	-
Preferred stock	2,018,028	-	-	2,018,028
REIT	310,101	310,101	-	-
Land and other real estate held for investment	18,000,000	-	18,000,000	-
Total other investments	<u>31,552,978</u>	<u>11,534,950</u>	<u>18,000,000</u>	<u>2,018,028</u>
Investments measured at net asset value*	20,078,117	-	-	-
Total investments	<u>273,517,791</u>	<u>233,421,646</u>	<u>18,000,000</u>	<u>2,018,028</u>
Charitable remainder trusts	1,856,514	-	-	1,856,514
Total Assets at Fair Value	<u>\$ 275,374,305</u>	<u>\$ 235,439,674</u>	<u>\$ 18,000,000</u>	<u>\$ 3,874,542</u>
Liabilities:				
Annuity liability	\$ 5,667,284	\$ -	\$ -	\$ 5,667,284
Funds held for the benefit of others	13,527,977	13,527,977	-	-
Total Liabilities at Fair Value	<u>\$ 19,195,261</u>	<u>\$ 13,527,977</u>	<u>\$ -</u>	<u>\$ 5,667,284</u>

Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

5. Fair Value of Financial Assets and Liabilities (Continued)

(*) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The investment values above include a net accumulated unrealized gain of \$8,643,256 and \$2,144,017 as of June 30, 2018 and 2017, respectively.

For the year ended June 30, 2018, realized and unrealized gains of \$4,371,001 and \$6,499,239, respectively, have been recognized in the consolidated statement of activities.

For the year ended June 30, 2017, realized gains and unrealized gains of \$5,038,494 and \$16,175,532, respectively, have been recognized in the consolidated statement of activities.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level of a financial instrument within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by Gulf Coast in estimating the fair value of its level 1, 2 and 3 financial instruments:

Hedge fund - Gulf Coast's investments in private equity and hedge funds are not actively traded and are valued at fair value by the general partner/managing member based on such factors as the underlying partnerships' net assets, liquidity, the nature of the portfolio, and market conditions. Because of the inherent uncertainty of valuations, those estimated values may differ from the values that would have been used had a ready market for the partnerships and hedge fund existed. Gulf Coast believes that the carrying amounts of its hedge fund are reasonable estimates of fair value as of June 30, 2018 and 2017.

Preferred stock - Gulf Coast's investment in preferred stock is not actively traded and is valued at fair value based on a 2015 appraisal obtained concurrent with the gift of preferred stock. While analyzing factors such as the company's financial activity and outlook, the appraiser utilized a probability-weighted expected return discounted income method to obtain investment fair value. Because of the inherent uncertainty of valuations, the estimated value may differ from the value that would have been used had a ready market for the partnerships and hedge fund existed. Gulf Coast believes that the carrying amount of its preferred stock is a reasonable estimate of fair value as of June 30, 2018 and 2017.

Land and other real estate held for investment - In 2018 this consists of donated condominium time shares and is measured at fair value based on third party appraisals obtained by Gulf Coast. In 2017 this consists of 300 acres of land in Venice, Florida and is measured at fair value based on third party appraisals obtained by Gulf Coast.

Charitable remainder trusts and annuity liability - The fair value of these assets and liabilities are estimated by discounting future cash flows using actuarial rates from mortality tables.

**Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

5. Fair Value of Financial Assets and Liabilities (Continued)

The fair values of the funds listed below have been estimated based on net asset value per share (or its equivalent) as reported by the investee. Fair value of the hedge fund and private equity funds is estimated based upon the net asset value per share (or its equivalent) as reported by the investee, however, these funds are not redeemable and represent partnership interests. While Gulf Coast does receive distributions from these funds, it cannot determine or estimate the period of time over which the underlying investment may be liquidated by the investees.

	NAV in Funds June 30, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ 18,220,581	\$ -	Quarterly	60 days
Private equity funds:				
Commonfund Capital Venture Partners VI, L.P.	\$ 1,586,273	\$ 262,500	n/a	n/a
University Technology Ventures, LP	503,488	125,312	n/a	n/a
Total private equity funds	<u>\$ 2,089,761</u>	<u>\$ 387,812</u>	-	-

	NAV in Funds June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ 17,469,403	\$ -	Quarterly	60 days
Private equity funds:				
Commonfund Capital Venture Partners VI, L.P.	\$ 2,055,884	\$ 262,500	n/a	n/a
University Technology Ventures, LP	552,830	125,312	n/a	n/a
Total private equity funds	<u>\$ 2,608,714</u>	<u>\$ 387,812</u>	-	-

Hedge funds - The objective of the funds are to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of pooled investment vehicles. The fund may invest in investment vehicles domiciled both within and outside the United States. At a minimum, redemptions can be made in increments of \$10,000, provided that the greater of \$50,000 or 20% of the initial investment remains in the fund.

Private equity funds - The private equity funds are not redeemable by request and represent partnership interests. While Gulf Coast does receive distributions from these funds, it cannot determine or estimate the period of time over which the underlying investment may be liquidated by the investees.

Commonfund Capital Venture Partners VI, L.P.'s purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in limited partnerships, which in turn, make venture capital investments primarily in emerging growth companies with the objective of obtaining long-term growth of capital. The partnership was scheduled to terminate on March 30, 2013, however, the general partner has extended the terms of the Partnership to continue until the last investment is disposed of and liquidation occurs.

Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

5. Fair Value of Financial Assets and Liabilities (Continued)

University Technology Ventures, LP invests in domestic venture capital or emerging growth partnerships which will invest in equity, equity-related, and debt securities. The partnership shall continue in existence until December 31, 2018, unless extended for a maximum of one additional year in accordance with the partnership agreement.

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2018 and 2017:

	Preferred Stock	Charitable Remainder Trusts	Annuity Liability
Balance - June 30, 2016	\$ 2,018,028	\$ 1,760,065	\$ 5,937,366
Change in value of split interest agreements	-	206,153	173,259
New agreements	-	-	222,412
Maturities	-	(109,704)	(665,753)
Balance - June 30, 2017	<u>2,018,028</u>	<u>1,856,514</u>	<u>5,667,284</u>
Change in value of split interest agreements	-	132,990	(95,497)
New agreements	-	1,681,956	1,161,041
Maturities	-	(161,484)	(564,448)
Balance - June 30, 2018	<u>\$ 2,018,028</u>	<u>\$ 3,509,976</u>	<u>\$ 6,168,380</u>

6. Notes Payable

In November 2013, Gulf Coast incurred a \$1,700,000 note payable to a financial institution for renovations to their primary business office. The note called for interest only monthly payments at 4.375% through May 2014. Thereafter, monthly principal and interest payments are made based on a twenty year amortization period. The note was collateralized by \$2,450,000 of investments that were transferred to the financial institution. As of June 30, 2018 and 2017, the outstanding balance on the note payable totaled \$1,467,023 and \$1,528,138, respectively.

Maturities of the promissory note are as follows as of June 30:

2019	\$ 64,777
2020	67,669
2021	70,690
2022	73,845
2023	77,141
Thereafter	1,112,901
Total	<u>\$ 1,467,023</u>

**Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

7. Employee Retirement Plan

Gulf Coast has a voluntary retirement program available for eligible employees under Section 401(k) of the Internal Revenue Code. Employees may make contributions pursuant to a salary reduction agreement upon completion of 90 days of service and attaining age 21. The total amount deferred in any calendar year may not exceed the threshold set by the Internal Revenue Service.

Employer contributions may be made to eligible employees; however, these contributions are not required and will be determined each year by management. Further details of the plan are disclosed in the plan document. Estimated retirement plan contributions of \$215,763 and \$130,656 for the years ended June 30, 2018 and 2017, respectively, were recorded.

8. Commitments and Contingencies

Third Party Guarantee

As of June 30, 2018, Gulf Coast is contingently liable as a limited guarantor with respect to \$725,000 of indebtedness of the Venice Little Theater, Inc., a Florida not-for-profit organization. The maximum amount recoverable from Gulf Coast as guarantor is limited to \$107,145 as of June 30, 2018 and will be reduced to \$53,574 in November, 2018 and to zero in November, 2019. As of June 30, 2018, Gulf Coast has not experienced any losses associated with this guarantee.

9. Functional Expenses

Functional expense classification within the consolidated statement of activities consists of the following for the year ended June 30, 2018:

	Program Grants, Scholarships and Initiatives	Program Services	Management and General	Donor Development	Investment Manager Fees	Total
Program grants, scholarships and initiatives	\$ 37,132,225	\$ -	\$ -	\$ -	\$ -	\$ 37,132,225
Salary and benefits	-	391,592	789,861	673,289	-	1,854,742
Purchased services	-	35,916	170,232	81,383	-	287,531
Investment manager fees	-	-	-	-	988,240	988,240
Other	-	100,102	427,162	226,373	-	753,637
Depreciation	-	30,051	105,679	49,366	-	185,096
Total	\$ 37,132,225	\$ 557,661	\$ 1,492,934	\$ 1,030,411	\$ 988,240	\$ 41,201,471

**Gulf Coast Community Foundation, Inc.
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Notes to Consolidated Financial Statements (Continued)
June 30, 2018 and 2017

9. Functional Expenses (continued)

Functional expense classification within the consolidated statement of activities consists of the following for the year ended June 30, 2017:

	Program Grants, Scholarships and Initiatives	Program Services	Management and General	Donor Development	Investment Manager Fees	Total
Program grants, scholarships and initiatives	\$ 34,170,778	\$ -	\$ -	\$ -	\$ -	\$ 34,170,778
Salary and benefits	-	448,143	561,010	569,139	-	1,578,292
Purchased services	-	74,859	167,124	121,946	-	363,929
Investment manager fees	-	-	-	-	951,715	951,715
Other	-	126,923	293,047	223,582	-	643,552
Depreciation	-	48,588	93,471	56,866	-	198,925
Total	<u>\$ 34,170,778</u>	<u>\$ 698,513</u>	<u>\$ 1,114,652</u>	<u>\$ 971,533</u>	<u>\$ 951,715</u>	<u>\$ 37,907,191</u>

10. Restricted Support

Temporarily restricted net assets are available for the following purposes as of June 30:

	2018	2017
Charitable remainder trusts and gift annuity agreements	\$ 6,039,779	\$ 4,552,015
Workforce initiative	130,267	337,081
Fund designating specific organizations to be supported	3,876,777	3,685,765
	<u>\$ 10,046,823</u>	<u>\$ 8,574,861</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	2018	2017
Health & Human Services	\$ 137,117	\$ 139,792

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Purposes for which temporary restrictions were accomplished during the year ended June 30:

	2018	2017
Workforce initiative	\$ 474,811	\$ 222,247
Change in value of charitable gift annuity agreements	92,291	81,661
Investment manager fees	164,733	137,642
Grants from fund designating specific organizations to be supported	141,399	143,908
	<u>\$ 873,234</u>	<u>\$ 585,458</u>

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11. Operating Lease Commitments

Gulf Coast has entered into operating lease agreements for office equipment and space expiring through the year ended June 30, 2021. Minimum monthly payments on operating leases, in the aggregate, amount to approximately \$4,364. Total expense for operating leases amounted to \$52,001 and \$51,762 for the years ended June 30, 2018 and 2017, respectively.

The future minimum payments under operating leases of equipment and space are as follows for the years ending June 30:

2019	\$	52,104
2020		48,052
2021		45,357
Total operating lease commitment	\$	<u>145,513</u>

12. Related Party Transactions

Certain board members and employees make contributions or have donor funds held by Gulf Coast. Board members and employees of Gulf Coast may serve on other not-for-profit organization boards that periodically receive grant money from Gulf Coast. Gulf Coast requires all board members and employees to complete signed conflict of interest forms annually and adhere to the requirements of the Conflict of Interest Policy.

Gulf Coast leased office space from a company owned by a member of the board. For the years ended June 30, 2018 and 2017, Gulf Coast paid approximately \$41,508 and \$41,033, respectively, for this space. Another member of the board has provided legal services to Gulf Coast. Gulf Coast paid approximately \$0 and \$159,545 in related fees during the years ended June 30, 2018 and 2017, respectively.

Gulf Coast provided a grant of \$23,131 through its Career Edge initiative to a company owned by another member of the board.

Additionally, Gulf Coast purchased digital development and consulting services, including services for the redevelopment and maintenance of its website, from a company owned by one of its board members. Selection of this vendor occurred prior to the individual joining the board, and in the case of the website redevelopment was preceded by a formal RFP process. During the years ended June 30, 2018 and 2017, Gulf Coast paid approximately \$29,050 and \$24,513, respectively, for these services. \$25,000 of the current year payments were from a fund held by Gulf Coast for work on that organization's website.

Several board members of Gulf Coast hold positions at financial institutions with which Gulf Coast had cash balances and investments that amount to approximately \$156,104 and \$4,480,745, respectively, as of June 30, 2018. As of June 30, 2017, Gulf Coast had cash balances and investments at these financial institutions amounting to approximately \$137,882 and \$3,235,890, respectively. These financial institutions were paid \$29,855 and \$32,907 in related investment fees during the years ended June 30, 2018 and 2017, respectively.

13. Concentrations of Credit and Economic Risk

Financial instruments, which potentially subject Gulf Coast to concentrations of credit risk, consist principally of cash and cash equivalents and investments. Gulf Coast places its cash and cash equivalents with high credit quality financial institutions. During the year, Gulf Coast may have deposits with financial institutions which exceed FDIC insurance limits.

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Notes to Consolidated Financial Statements (Continued)
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13. Concentrations of Credit and Economic Risk (Continued)

Gulf Coast's investments are primarily invested in time deposits with high credit quality financial institutions, U.S. Treasury bonds and notes, government-backed mortgage securities, common stocks, venture capital funds, real estate and high credit quality corporate notes.

The investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of Gulf Coast's investments, which could materially affect amounts reported in the consolidated financial statements.

14. Prior Period Adjustment

During the year ended June 30, 2018, management reviewed and determined that the grants, initiatives, and scholarships payable account was overstated as of June 30, 2017 and 2016. Beginning net assets as of July 1, 2016 totaling \$906,369, as well as activity during the year ended June 30, 2017 totaling \$204,602 were restated in the accompanying financial statements for the year ended June 30, 2017.

15. Subsequent Events

Gulf Coast has evaluated all events subsequent to the consolidated statement of financial position date of June 30, 2018 and through the date these consolidated financial statements were available for issuance, March 7, 2019, and has determined that there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.