



The  
**COMMUNITY  
FOUNDATION**  
of the New River Valley

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**FINANCIAL REPORT**

**DECEMBER 31, 2019**

**COMMUNITY FOUNDATION OF THE  
NEW RIVER VALLEY**

**FINANCIAL REPORT**

**December 31, 2019**

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Foundation of the New River Valley  
Christiansburg, Virginia

We have audited the accompanying financial statements of the Community Foundation of the New River Valley (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above represent fairly, in all material respects, the financial position of the Community Foundation of the New River Valley as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg, Virginia  
May 28, 2020

**THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 85,233	\$ 98,909
Prepaid expenses and deposits	8,868	1,378
	<u>94,101</u>	<u>100,287</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash (Note 2)	1,442,684	1,409,489
Investments (Note 5)	9,488,766	8,027,710
Cash surrender value of life insurance	32,438	36,275
Notes receivable (Note 4)	100,000	100,000
Land	30,000	30,000
	<u>11,093,888</u>	<u>9,603,474</u>
Total non-current assets	<u>11,093,888</u>	<u>9,603,474</u>
Total assets	<u>\$ 11,187,989</u>	<u>\$ 9,703,761</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,118	\$ 1,768
Credit cards payable	489	239
Accrued payroll	3,401	5,951
Deferred revenue	-	2,000
Line of credit (Note 6)	40,000	-
	<u>45,008</u>	<u>9,958</u>
Total current liabilities	<u>45,008</u>	<u>9,958</u>
Total liabilities	<u>45,008</u>	<u>9,958</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	(20,795)	8,180
With donor restrictions (Note 8)	11,163,776	9,685,623
	<u>11,142,981</u>	<u>9,693,803</u>
Total net assets	<u>11,142,981</u>	<u>9,693,803</u>
Total liabilities and net assets	<u>\$ 11,187,989</u>	<u>\$ 9,703,761</u>

The Notes to Financial Statements are an integral part of these statements.

**THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY**

**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
Contributions	\$ 148,021	\$ 574,898	\$ 722,919
Investment return	6,598	1,587,021	1,593,619
Cash surrender value of life insurance	-	(8,838)	(8,838)
Assets released from restrictions:			
Restrictions satisfied by payments and reclassifications	548,548	(548,548)	-
Administration fees	126,380	(126,380)	-
Total public support, revenues, and reclassifications	829,547	1,478,153	2,307,700
<b>EXPENSES</b>			
<b>Program</b>			
Grant and scholarships	385,621	-	385,621
Payroll, taxes, and benefits	126,602	-	126,602
Collaborative initiatives	7,115	-	7,115
Nonprofit leadership programs	6,824	-	6,824
Total program	526,162	-	526,162
<b>Support</b>			
Advertising	3,370	-	3,370
Dues and subscriptions	8,049	-	8,049
Fundraising and donor relations	3,269	-	3,269
SEP retirement contributions	4,533	-	4,533
Health insurance	2,802	-	2,802
Payroll and payroll taxes	89,968	-	89,968
Meetings	14,627	-	14,627
Office furniture and supplies	7,282	-	7,282
Postage and delivery	1,885	-	1,885
Printing and copying	5,993	-	5,993
Professional fees	33,290	-	33,290
Real estate	231	-	231
Recognition	381	-	381
Rent	16,620	-	16,620
Other insurance	3,381	-	3,381
Other technology	18,470	-	18,470
Telephone and internet	2,096	-	2,096
Travel	1,184	-	1,184
Alliance for Better Childcare Strategies	114,139	-	114,139
Interest expense	598	-	598
Miscellaneous	192	-	192
Total support	332,360	-	332,360
Total expenses	858,522	-	858,522
Change in net assets	(28,975)	1,478,153	1,449,178
<b>NET ASSETS</b>			
Beginning	8,180	9,685,623	9,693,803
Ending	\$ (20,795)	\$ 11,163,776	\$ 11,142,981

The Notes to Financial Statements are an integral part of these statements.

**THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY**

**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
Contributions	\$ 120,258	\$ 997,192	\$ 1,117,450
Investment return	5,412	(576,657)	(571,245)
Cash surrender value of life insurance	-	(8,132)	(8,132)
Assets released from restrictions:			
Restrictions satisfied by payments and reclassifications	548,784	(548,784)	-
Administration fees	133,252	(133,252)	-
Total public support, revenues, and reclassifications	807,706	(269,633)	538,073
<b>EXPENSES</b>			
<b>Program</b>			
Grant and scholarships	367,717	-	367,717
Payroll, taxes, and benefits	133,722	-	133,722
Collaborative initiatives	-	-	-
Nonprofit leadership programs	-	-	-
Total program	501,439	-	501,439
<b>Support</b>			
Advertising	4,248	-	4,248
Dues and subscriptions	8,223	-	8,223
Fundraising and donor relations	3,698	-	3,698
SEP retirement contributions	4,390	-	4,390
Health insurance	2,996	-	2,996
Payroll and payroll taxes	67,523	-	67,523
Meetings	23,890	-	23,890
Office furniture and supplies	2,202	-	2,202
Postage and delivery	1,698	-	1,698
Printing and copying	7,011	-	7,011
Professional fees	41,242	-	41,242
Real estate	231	-	231
Recognition	272	-	272
Rent	15,420	-	15,420
Other insurance	3,380	-	3,380
Other technology	23,907	-	23,907
Telephone and internet	1,907	-	1,907
Travel	1,311	-	1,311
Alliance for Better Childcare Strategies	104,998	-	104,998
Interest expense	-	-	-
Miscellaneous	364	-	364
Total support	318,911	-	318,911
Total expenses	820,350	-	820,350
Change in net assets	(12,644)	(269,633)	(282,277)
<b>NET ASSETS</b>			
Beginning	20,824	9,955,256	9,976,080
Ending	\$ 8,180	\$ 9,685,623	\$ 9,693,803

The Notes to Financial Statements are an integral part of these statements.

**THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,449,178	\$ (282,277)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for endowment	(332,679)	(769,358)
Net realized and unrealized (gains) losses on investments	(1,356,520)	822,514
Change in cash surrender value of life insurance	3,838	3,132
Decrease in operating assets:		
Prepaid expenses and deposits	(7,490)	(500)
Increase (decrease) in operating liabilities:		
Accounts payable	(650)	957
Credit cards payable	250	119
Accrued payroll	(2,550)	(80)
Deferred revenue	(2,000)	2,000
Net cash used in operating activities	(248,623)	(223,493)
<b>INVESTING ACTIVITIES</b>		
Change in investments, net	(104,537)	(501,959)
Net cash used in investing activities	(104,537)	(501,959)
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	332,679	769,358
Proceeds from line of credit	40,000	-
Net cash provided by financing activities	372,679	769,358
Net increase in cash, cash equivalents, and restricted cash	19,519	43,906
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Beginning	1,508,398	1,464,492
Ending	\$ 1,527,917	\$ 1,508,398
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash payments for interest	\$ 598	\$ -

The Notes to Financial Statements are an integral part of these statements.

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 1. Summary of Significant Accounting Policies**

Organization

The Community Foundation of the New River Valley (the “Foundation”) is a publicly-supported, tax exempt philanthropic organization. It administers endowed funds established by donors for the long term and makes grants from these funds. Founded in 1994 as a 501(c)(3) nonprofit organization, the Foundation is managed by an independent, volunteer governing board representative of the New River Valley.

Method of accounting

The Foundation uses the accrual method of accounting, whereby revenues are recognized when earned and expenses are recognized when goods or services are received.

Financial statement presentation

The Foundation follows generally accepted accounting principles (GAAP), in which it reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions** are net assets available for use in general operations and not subject to donor restrictions. These net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.

**Net assets with donor restrictions** are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Property and equipment

The Foundation has adopted a capitalization policy whereby capital expenditures of \$5,000 or more for property with a useful life greater than one year are capitalized and depreciated. Property and equipment are stated at cost at the date of acquisition or at fair value at the date of the gift, less accumulated depreciation. Property and equipment are depreciated using the straight line method over the following useful lives:

Software	2 years
Equipment	5 years
Furniture	7 years

There was no depreciation expense for the years ending December 31, 2019 and 2018.

Income taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501 (c)(3) of the *Internal Revenue Code*. The Foundation has also been classified as an entity that is not a private foundation within the scope of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or fewer to be cash equivalents. All cash with donor restrictions is considered restricted holdings and those cash balances are listed under non-current assets on the statements of financial position. Accounts in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, deposits may exceed federally insured limits.

Notes receivable

The Foundation accounts for its notes receivables at cost and recognizes interest income as it is earned.

Estimates

The preparation of financial statements in conformity within GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed services

Contributed services meeting the requirement for recognition in the financial statements are not material and have not been recorded.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Contributions

Contributions received are recorded as support without donor restrictions or support with donor restrictions depending on the existence or nature of donor restrictions.

Advertising costs

The Foundation follows the policy of charging advertising costs to expense as incurred.

Payroll, taxes, and benefits

Payroll costs, including payroll, payroll taxes, employer-paid health insurance, and employer retirement contributions, are allocated to program and support expenses based upon the staff's percent of time devoted to the Foundation's program and support activities.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current year presentation.

Date of management's review

The Foundation has evaluated events and transactions for potential recognition or disclosure through May 28, 2020, the date the financial statements were available to be issued.

**Note 2. Cash and Cash Equivalents**

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Foundation adopted ASU 2016-18 effective January 1, 2019, which resulted in the inclusion of the Foundation's restricted cash balances along with cash and cash equivalents in the Foundation's statements of cash flows, and separate line items showing changes in restricted cash balances were eliminated from the Foundation's statements of cash flows. ASU 2016-18 was applied retrospectively to all periods presented.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 2. Cash and Cash Equivalents (Continueud)**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the amounts shown in the statements of cash flows:

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 85,233	\$ 98,909
Restricted cash	1,442,684	1,409,489
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 1,527,917	\$ 1,508,398

**Note 3. Liquidity and Availability of Financial Assets**

The following table represents the Foundation's financial assets at December 31, 2019:

	<b>2019</b>	<b>2018</b>
Total current assets per the statement of financial position	\$ 94,101	\$ 100,287
Deductions from total current assets to yield financial assets available for general expenditures within one year of the statement of financial position date:		
Prepaid expenses and deposits	(8,868)	(1,378)
Financial assets available to meet general expenditures within one year of the balance sheet date	\$ 85,233	\$ 98,909

As part of the Foundation's liquidity management, it invests excess cash in money markets, mutual funds, and equity securities. The Foundation's endowment funds consist of a donor endowment.

Income from the donor endowment is restricted for specific purposes and, therefore, is not available for general expenditure.

**Note 4. Notes Receivable**

On April 19, 2018, the Foundation invested in a three-year Local Impact Opportunity Note (LION) in the amount of \$50,000 with an annual rate of return of 1.5% with Virginia Community Capital (VCC), a Virginia non-stock corporation and community development financial institution.

On December 9, 2019, the Foundation invested in an additional three-year LION note with an annual rate of return of 1.75% with VCC in the amount of \$50,000. Per the note agreements, the proceeds from the LION notes will be used as additional capital to provide support for community development and small business loans throughout the New River Valley.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 5. Investments**

Investments as of December 31, 2019 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
With donor restrictions:		
Money markets and mutual funds	\$ 3,889,428	\$ 5,056,070
Equity securities	2,618,904	3,503,110
Debt securities	908,529	929,586
	<u>7,416,861</u>	<u>9,488,766</u>
Total investments	<u>\$ 7,416,861</u>	<u>\$ 9,488,766</u>

The following schedule summarizes net investment return and its classification in the statement of activities for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Interest and dividends	\$ 6,598	\$ 292,096
Realized gains	-	200,276
Unrealized gains	-	1,156,244
Investment fees	-	(61,595)
	<u>6,598</u>	<u>1,587,021</u>
Total investment return, net	<u>\$ 6,598</u>	<u>\$ 1,587,021</u>

Investments as of December 31, 2018 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
With donor restrictions:		
Money markets and mutual funds	\$ 3,839,448	\$ 4,372,107
Equity securities	2,199,139	2,588,087
Debt securities	1,080,458	1,067,516
	<u>7,119,045</u>	<u>8,027,710</u>
Total investments	<u>\$ 7,119,045</u>	<u>\$ 8,027,710</u>

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 5. Investments (Continued)**

The following schedule summarizes net investment return and its classification in the statement of activities for the year ended December 31, 2018:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
Interest and dividends	\$ 5,412	\$ 305,036
Realized gains	-	370,075
Unrealized gains (losses)	-	(1,192,589)
Investment fees	-	(59,179)
Total investment return, net	\$ 5,412	\$ (576,657)

**Note 6. Line of Credit**

The Foundation has a commercial line of credit with National Bank for \$60,000 that is renewed on an annual basis. Principal is due on demand with interest payable monthly at an interest rate of Prime, which is subject to change monthly (4.75% at December 31, 2019). At December 31, 2019 and 2018, outstanding borrowings totaled \$40,000 and \$-0-, respectively.

Interest expense was \$598 and \$-0- in 2019 and 2018, respectively.

**Note 7. Administration Fees**

The Foundation receives fees from certain endowment funds for managing those funds. These fees help offset general and administrative costs.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 8. Endowment Funds**

Endowment funds are established when a donor wishes to have the donated assets used for a specific purpose. These endowment funds are treated as net assets with donor restrictions. Net assets with donor restrictions restricted in perpetuity include only the principal of certain endowment funds where the principal is invested in perpetuity and only the earnings on the amount invested are available for expenditure by the Foundation. The accumulated endowment investment return included in net assets with donor restrictions includes the assets of certain endowment funds where the principal and the accumulated earnings are available for expenditure and the accumulated earnings of funds are restricted in perpetuity. When distributions are made from the accumulated endowment investment return funds for the purposes specified in the endowment fund agreements, the amounts are reported as released from restrictions in the statements of activities.

The Foundation's endowment funds consist of many individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions on the statements of financial position (a) the original value of gifts to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is the remaining portion of the donor-restricted endowment fund that is available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 8. Endowment Funds (Continued)**

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- A. The duration and the preservation of the fund.
- B. The purposes of the Foundation and the donor-restricted endowments funds.
- C. General economic conditions.
- D. The duration and the preservation of the fund.
- E. The possible effect of inflation and deflation.
- F. The expected total return from income and the appreciation of the investments.
- G. Other resources of the Foundation.
- H. The investment policies of the Foundation.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Standard & Poor's (S&P) 500 Index while assuming a moderate level of investment risk.

Strategies employed for achieving return objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 8. Endowment Funds (Continued)**

Spending policy and how investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution annually an amount deemed prudent by the Investment Committee. This committee is responsible for gathering and analyzing facts and conducting investigations and research to determine effective agencies and means for meeting current and emerging needs of the New River Valley community through (1) distributing gifts for charitable purposes and (2) taking action as a catalyst and convener for leadership and community development. The Investment Committee members are elected by the Board upon the recommendation of the Nominating Committee. The Investment Committee shall consist of no fewer than four members of the Board. The Investment Committee may, from time to time, allow members of the community to serve as non-voting advisors to the Committee. When making distributions, the Committee considers the long-term expected return on its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with deficiencies ("underwater" funds)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2019 and 2018, funds with a fair value of \$7,617 and \$1,318,550 and an original gift value of \$10,000 and \$1,411,896 were "underwater" by \$2,383 and \$93,346, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Endowment net assets consisted of the following at December 31:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:						
Donor-restricted amounts to be maintained in perpetuity	\$ -	\$ 8,312,126	\$ 8,312,126	\$ -	\$ 7,980,159	\$ 7,980,159
Accumulated investment gains and term endowments	-	1,992,367	1,992,367	-	818,162	818,162
Pass-through funds	-	859,283	859,283	-	887,302	887,302
Total endowment net assets	<u>\$ -</u>	<u>\$ 11,163,776</u>	<u>\$ 11,163,776</u>	<u>\$ -</u>	<u>\$ 9,685,623</u>	<u>\$ 9,685,623</u>

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 8. Endowment Funds (Continued)**

Changes in endowment net assets for the year ended December 31 were as follows:

	2019			2018		
	Accumulated Endowment Investment Return	Restricted in Perpetuity	Total	Accumulated Endowment Investment Return	Restricted in Perpetuity	Total
Endowment net assets, Beginning	\$ 1,705,464	\$ 7,980,159	\$ 9,685,623	\$ 2,812,680	\$ 7,142,576	\$ 9,955,256
Investment return, net	1,587,021	-	1,587,021	(576,657)	-	(576,657)
Change in cash surrender value of life insurance	(8,838)	-	(8,838)	(8,132)	-	(8,132)
Contributions	242,219	332,679	574,898	227,834	769,358	997,192
Amounts appropriated for expenditure	(500,028)	-	(500,028)	(504,957)	-	(504,957)
Reclassification	(47,808)	(712)	(48,520)	(112,052)	68,225	(43,827)
Administrative fees	(126,380)	-	(126,380)	(133,252)	-	(133,252)
Endowment net assets, Ending	<u>\$ 2,851,650</u>	<u>\$ 8,312,126</u>	<u>\$ 11,163,776</u>	<u>\$ 1,705,464</u>	<u>\$ 7,980,159</u>	<u>\$ 9,685,623</u>

**Note 9. Fair Value Measurements**

The Foundation carries various assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used which establishes that fair value is based on the “highest and best use.” Additionally, in accordance with accounting guidance, the Foundation categorizes its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 9. Fair Value Measurements (Continued)**

Three levels of inputs that may be used to measure fair value are as follows:

**Level 1** – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

**Level 2** – Fair value is based on inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Fair value is based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The following table summarizes the valuation of the Foundation’s assets by the fair value hierarchy levels previously described as of December 31:

	<u>2019</u>				<u>2018</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Recurring fair value measurements:								
Money markets/mutual funds	\$ 5,056,070	\$ 5,056,070	\$ -	\$ -	\$ 4,372,107	\$ 4,372,107	\$ -	\$ -
Equity securities	3,503,110	3,489,752	13,358	-	2,588,087	2,576,577	11,510	-
Debt securities	929,586	929,586	-	-	1,067,516	1,067,516	-	-
Life insurance cash value	32,438	-	32,438	-	36,275	-	36,275	-
	<u>9,521,204</u>	<u>9,475,408</u>	<u>45,796</u>	<u>-</u>	<u>8,063,985</u>	<u>8,016,200</u>	<u>47,785</u>	<u>-</u>
Nonrecurring fair value measurements:								
Real estate	30,000	-	30,000	-	30,000	-	30,000	-
Total financial assets	<u>\$ 9,551,204</u>	<u>\$ 9,475,408</u>	<u>\$ 75,796</u>	<u>\$ -</u>	<u>\$ 8,093,985</u>	<u>\$ 8,016,200</u>	<u>\$ 77,785</u>	<u>\$ -</u>

Recurring fair value measurements

Level 2 securities are not publicly traded. They are valued by reviewing stock trades near the end of the year and using the sales price per share closest to the measurement date.

Nonrecurring fair value measurements

Level 2 real estate is valued at fair market value at the date of the contribution and revalued as needed based on similar lots and the fluctuation of the real estate market.

(Continued)

**THE COMMUNITY FOUNDATION  
OF THE NEW RIVER VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**Note 10. Rent Expense**

The Foundation signed a month-to-month lease with Community Housing Partners for office space effective October 1, 2018 through September 30, 2020, with monthly payments of \$1,360 for the first 12 months increasing to \$1,460 per month beginning October 1, 2019. Rent expense for office space totaled \$16,620 and \$15,420 for the years ending December 2019 and 2018, respectively.

**Note 11. Retirement Plan**

During 2001, the Foundation established a Simplified Employee Pension (SEP) Retirement Plan for employees with at least one year of service. Foundation contributions totaling \$11,871 and \$12,078 were made for the years ending December 2019 and 2018, respectively.

**Note 12. COVID-19**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, and operations. The Foundation’s operations are heavily dependent on private and public donations from individuals, foundations, and corporations. As of the date of this report, the Foundation’s investment values have experienced a temporary decline of 16.99%. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress donations during the calendar year 2020. As such, this may hinder the Foundation’s ability to offer additional nonprofit leadership programs. Management anticipates that the core aspects of the Foundation’s mission will remain steady through the calendar year 2020. On April 20, 2020, the Foundation was granted a Paycheck Protection Program (PPP) loan in the amount of \$50,800 from National Bank to support payroll and rent. The loan will mature on April 20, 2022, however management anticipates they will meet the requirements for this loan to be forgiven. If the PPP loan is forgiven, management does not anticipate the Foundation will need additional support beyond their own internal reserve fund and their existing line of credit with National Bank. As such, the Foundation’s financial condition and liquidity may be negatively impacted for the calendar year 2020.