



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

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

FINANCIAL REPORT

DECEMBER 31, 2020

**COMMUNITY FOUNDATION OF THE
NEW RIVER VALLEY**

FINANCIAL REPORT

December 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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
June 21, 2021

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 51,913	\$ 85,233
Prepaid expenses and deposits	5,419	8,868
	<u>57,332</u>	<u>94,101</u>
NON-CURRENT ASSETS		
Restricted cash	2,356,460	1,442,684
Investments (Note 4)	10,089,199	9,488,766
Cash surrender value of life insurance	27,375	32,438
Notes receivable (Note 3)	100,000	100,000
Land	30,000	30,000
	<u>12,603,034</u>	<u>11,093,888</u>
Total non-current assets	<u>12,603,034</u>	<u>11,093,888</u>
Total assets	<u>\$ 12,660,366</u>	<u>\$ 11,187,989</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 185	\$ 1,118
Credit cards payable	497	489
Accrued payroll	1,408	3,401
PPP loan (Note 11)	50,800	-
Line of credit (Note 5)	-	40,000
	<u>52,890</u>	<u>45,008</u>
Total current liabilities	<u>52,890</u>	<u>45,008</u>
Total liabilities	<u>52,890</u>	<u>45,008</u>
NET ASSETS		
Without donor restrictions:		
Operating	37,951	(20,795)
With donor restrictions (Note 7)	12,569,525	11,163,776
	<u>12,607,476</u>	<u>11,142,981</u>
Total net assets	<u>12,607,476</u>	<u>11,142,981</u>
Total liabilities and net assets	<u>\$ 12,660,366</u>	<u>\$ 11,187,989</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Contributions	\$ 172,162	\$ 1,222,848	\$ 1,395,010
Investment return	3,916	1,038,434	1,042,350
Cash surrender value of life insurance	-	(10,062)	(10,062)
Other income	-	-	-
Assets released from restrictions:			
Restrictions satisfied by payments and reclassifications	695,227	(695,227)	-
Administration fees	150,244	(150,244)	-
Total public support, revenues, and reclassifications	1,021,549	1,405,749	2,427,298
EXPENSES			
Program			
Grant and scholarships	576,678	-	576,678
Payroll, taxes, and benefits	173,214	-	173,214
Collaborative initiatives	2,416	-	2,416
Nonprofit leadership programs	7,605	-	7,605
Other	2,578	-	2,578
Total program	762,491	-	762,491
Support			
Advertising	1,553	-	1,553
Dues and subscriptions	6,726	-	6,726
Fundraising and donor relations	2,018	-	2,018
SEP retirement contributions	9,100	-	9,100
Health insurance	8,250	-	8,250
Payroll and payroll taxes	13,209	-	13,209
Meetings	147	-	147
Office furniture and supplies	6,109	-	6,109
Postage and delivery	1,252	-	1,252
Printing and copying	3,255	-	3,255
Professional fees	34,423	-	34,423
Real estate	231	-	231
Recognition	156	-	156
Rent	20,059	-	20,059
Other insurance	3,572	-	3,572
Other technology	18,404	-	18,404
Telephone and internet	1,941	-	1,941
Travel	207	-	207
Alliance for Better Childcare Strategies	69,100	-	69,100
Interest expense	600	-	600
Miscellaneous	-	-	-
Total support	200,312	-	200,312
Total expenses	962,803	-	962,803
Change in net assets	58,746	1,405,749	1,464,495
NET ASSETS			
Beginning	(20,795)	11,163,776	11,142,981
Ending	\$ 37,951	\$ 12,569,525	\$ 12,607,476

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

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS			
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)
Other income	-	-	-
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
EXPENSES			
Program			
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
Support			
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
NET ASSETS			
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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,464,495	\$ 1,449,178
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for endowment	(713,670)	(332,679)
Net realized and unrealized gains on investments	(832,007)	(1,356,520)
Change in cash surrender value of life insurance	5,063	3,838
Decrease in operating assets:		
Prepaid expenses and deposits	3,449	(7,490)
Increase (decrease) in operating liabilities:		
Accounts payable	(933)	(650)
Credit cards payable	8	250
Accrued payroll	(1,993)	(2,550)
Deferred revenue	-	(2,000)
	<u>(75,588)</u>	<u>(248,623)</u>
Net cash used in operating activities		
INVESTING ACTIVITIES		
Change in investments, net	<u>231,574</u>	<u>(104,537)</u>
Net cash provided by (used in) investing activities	<u>231,574</u>	<u>(104,537)</u>
FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	713,670	332,679
Proceeds from PPP loan	50,800	-
Proceeds from (payments on) line of credit	<u>(40,000)</u>	<u>40,000</u>
Net cash provided by financing activities	<u>724,470</u>	<u>372,679</u>
Net increase in cash, cash equivalents, and restricted cash	880,456	19,519
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning	<u>1,527,917</u>	<u>1,508,398</u>
Ending	<u>\$ 2,408,373</u>	<u>\$ 1,527,917</u>
SUPPLEMENTAL DISCLOSURE		
Cash payments for interest	<u>\$ 600</u>	<u>\$ 598</u>
CASH REPORTED ON THE STATEMENTS OF FINANCIAL POSITION AS:		
Cash and cash equivalents	\$ 51,913	\$ 85,233
Restricted cash	<u>2,356,460</u>	<u>1,442,684</u>
	<u>\$ 2,408,373</u>	<u>\$ 1,527,917</u>

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, 2020

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 accounting principles generally accepted in the United States of America (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 on the statements of activities as net assets released from restrictions.

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

(Continued)

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

Property and equipment (Continued)

There was no depreciation expense for the years ended December 31, 2020 and 2019.

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 with 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.

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.

(Continued)

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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 June 21, 2021, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

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

	<u>2020</u>	<u>2019</u>
Total current assets per the statements of financial position	\$ 57,332	\$ 94,101
Deductions from total current assets to yield financial assets available for general expenditures within one year of the statements of financial position date:		
Prepaid expenses and deposits	<u>(5,419)</u>	<u>(8,868)</u>
Financial assets available to meet general expenditures within one year of the statements of financial position date	<u>\$ 51,913</u>	<u>\$ 85,233</u>

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 3. 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.

(Continued)

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 3. Notes Receivable (Continued)

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.

Note 4. Investments

Investments as of December 31, 2020 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
With donor restrictions:		
Money markets and mutual funds	\$ 3,644,490	\$ 5,090,379
Equity securities	2,625,959	3,880,705
Debt securities	<u>1,078,838</u>	<u>1,118,115</u>
 Total investments	 <u>\$ 7,349,287</u>	 <u>\$ 10,089,199</u>

The following schedule summarizes net investment return and its classification on the statements of activities for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Interest and dividends	\$ 3,916	\$ 270,529
Realized gains	-	184,313
Unrealized gains	-	647,694
Investment fees	<u>-</u>	<u>(64,102)</u>
 Total investment return, net	 <u>\$ 3,916</u>	 <u>\$ 1,038,434</u>

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	<u>908,529</u>	<u>929,586</u>
 Total investments	 <u>\$ 7,416,861</u>	 <u>\$ 9,488,766</u>

(Continued)

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 4. Investments (Continued)

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

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

Note 5. 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 (3.25% at December 31, 2020). At December 31, 2020 and 2019, outstanding borrowings totaled \$-0- and \$40,000, respectively.

Interest expense was \$600 and \$598 in 2020 and 2019, respectively.

Note 6. Administration Fees

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

Note 7. 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 on 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.

(Continued)

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 7. Endowment Funds (Continued)

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.

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, 2020

Note 7. 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 (the “Committee”). The 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 Committee members are elected by the Board of Directors upon the recommendation of the Nominating Committee. The Committee shall consist of no fewer than four members of the Board of Directors. The 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, 2020 and 2019, funds with a fair value of \$2,797 and \$7,617 and an original gift value of \$16,797 and \$10,000 were “underwater” by \$14,000 and \$2,383, 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:

	2020			2019		
	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	\$ -	\$ 9,056,626	\$ 9,056,626	\$ -	\$ 8,312,126	\$ 8,312,126
Accumulated investment gains and term endowments	-	2,554,447	2,554,447	-	1,992,367	1,992,367
Pass-through funds	-	958,452	958,452	-	859,283	859,283
Total endowment net assets	\$ -	\$ 12,569,525	\$ 12,569,525	\$ -	\$ 11,163,776	\$ 11,163,776

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THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 7. Endowment Funds (Continued)

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

	2020			2019		
	Accumulated Endowment Investment Return	Restricted in Perpetuity	Total	Accumulated Endowment Investment Return	Restricted in Perpetuity	Total
Endowment net assets, Beginning	\$ 2,851,650	\$ 8,312,126	\$ 11,163,776	\$ 1,705,464	\$ 7,980,159	\$ 9,685,623
Investment return, net	1,038,434	-	1,038,434	1,587,021	-	1,587,021
Change in cash surrender value of life insurance	(10,062)	-	(10,062)	(8,838)	-	(8,838)
Contributions	509,178	713,670	1,222,848	242,219	332,679	574,898
Amounts appropriated for expenditure	(654,388)	-	(654,388)	(500,028)	-	(500,028)
Reclassification	(71,669)	30,830	(40,839)	(47,808)	(712)	(48,520)
Administrative fees	<u>(150,244)</u>	<u>-</u>	<u>(150,244)</u>	<u>(126,380)</u>	<u>-</u>	<u>(126,380)</u>
Endowment net assets, Ending	<u>\$ 3,512,899</u>	<u>\$ 9,056,626</u>	<u>\$ 12,569,525</u>	<u>\$ 2,851,650</u>	<u>\$ 8,312,126</u>	<u>\$ 11,163,776</u>

Note 8. 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, 2020

Note 8. 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:

	2020				2019			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Recurring fair value measurements:								
Money markets/mutual funds	\$ 5,090,379	\$ 5,090,379	\$ -	\$ -	\$ 5,056,070	\$ 5,056,070	\$ -	\$ -
Equity securities	3,880,705	3,870,303	10,402	-	3,503,110	3,489,752	13,358	-
Debt securities	1,118,115	1,118,115	-	-	929,586	929,586	-	-
Life insurance cash value	27,375	-	27,375	-	32,438	-	32,438	-
	10,116,574	10,078,797	37,777	-	9,521,204	9,475,408	45,796	-
Nonrecurring fair value measurements:								
Real estate	30,000	-	30,000	-	30,000	-	30,000	-
Total financial assets	<u>\$ 10,146,574</u>	<u>\$ 10,078,797</u>	<u>\$ 67,777</u>	<u>\$ -</u>	<u>\$ 9,551,204</u>	<u>\$ 9,475,408</u>	<u>\$ 75,796</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, 2020

Note 9. Rent Expense

The Foundation had a month-to-month lease with Community Housing Partners for office space effective October 1, 2018 through November 30, 2020, with monthly payments of \$1,360 for the first 12 months increasing to \$1,460 per month beginning October 1, 2019. On November 1, 2020, the Foundation entered into a two-year lease for office space with the Virginia Tech Corporate Research Center, with monthly payments of \$1,999.55. Rent expense for office space totaled \$20,059 and \$16,620 for the years ended December 2020 and 2019, respectively.

Future minimum lease payments under this lease agreement are as follows for the years ending December 31:

2021	\$ 23,995
2022	<u>19,996</u>
	<u>\$ 43,991</u>

Note 10. 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 \$9,100 and \$11,871 were made for the years ended December 2020 and 2019, respectively.

Note 11. 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 spread 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. Management anticipates that the core aspects of the Foundation’s mission will remain steady through the calendar year 2021. 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. The PPP loan was forgiven on February 22, 2021. In addition, the Foundation received a second PPP loan in 2021 in the amount of \$40,000. Management anticipates receiving forgiveness for this loan as well.