



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

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

**FINANCIAL REPORT**

**DECEMBER 31, 2021**

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

**FINANCIAL REPORT**

**December 31, 2021**

## 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  
The Community Foundation of the New River Valley  
Christiansburg, Virginia

### **Opinion**

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 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia  
May 20, 2022

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 473,412	\$ 51,913
Prepaid expenses and deposits	4,060	5,419
Total current assets	<u>477,472</u>	<u>57,332</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash	2,326,398	2,356,460
Investments (Note 4)	13,074,730	10,089,199
Cash surrender value of life insurance	22,905	27,375
Notes receivable (Note 3)	100,000	100,000
Land	30,000	30,000
Total non-current assets	<u>15,554,033</u>	<u>12,603,034</u>
Total assets	<u><u>\$ 16,031,505</u></u>	<u><u>\$ 12,660,366</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 473	\$ 185
Credit cards payable	602	497
Accrued payroll	741	1,408
PPP loan (Note 11)	-	50,800
Line of credit (Note 5)	-	-
Total current liabilities	<u>1,816</u>	<u>52,890</u>
Total liabilities	<u>1,816</u>	<u>52,890</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Operating	120,302	37,951
With donor restrictions (Note 7)	15,909,387	12,569,525
Total net assets	<u>16,029,689</u>	<u>12,607,476</u>
Total liabilities and net assets	<u><u>\$ 16,031,505</u></u>	<u><u>\$ 12,660,366</u></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, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
Contributions	\$ 148,312	\$ 2,263,564	\$ 2,411,876
Investment return	4,085	1,819,857	1,823,942
Cash surrender value of life insurance	-	(9,471)	(9,471)
Other income	-	90,800	90,800
Assets released from restrictions:			
Restrictions satisfied by payments and reclassifications	657,724	(657,724)	-
Administration fees	167,164	(167,164)	-
Total public support, revenues, and reclassifications	977,285	3,339,862	4,317,147
<b>EXPENSES</b>			
<b>Program</b>			
Grant and scholarships	525,052	-	525,052
Payroll, taxes, and benefits	200,875	-	200,875
Collaborative initiatives	8,002	-	8,002
Nonprofit leadership programs	-	-	-
Other	979	-	979
Total program	734,908	-	734,908
<b>Support</b>			
Advertising	2,295	-	2,295
Dues and subscriptions	3,378	-	3,378
Fundraising and donor relations	2,834	-	2,834
SEP retirement contributions	12,848	-	12,848
Health insurance	10,075	-	10,075
Payroll and payroll taxes	15,366	-	15,366
Meetings	8,892	-	8,892
Office furniture and supplies	1,676	-	1,676
Postage and delivery	1,779	-	1,779
Printing and copying	4,654	-	4,654
Professional fees	39,149	-	39,149
Real estate	597	-	597
Recognition	210	-	210
Rent	23,995	-	23,995
Other insurance	5,191	-	5,191
Other technology	22,898	-	22,898
Telephone and internet	2,312	-	2,312
Travel	602	-	602
Alliance for Better Childcare Strategies	1,275	-	1,275
Interest expense	-	-	-
Total support	160,026	-	160,026
Total expenses	894,934	-	894,934
Change in net assets	82,351	3,339,862	3,422,213
<b>NET ASSETS</b>			
Beginning	37,951	12,569,525	12,607,476
Ending	\$ 120,302	\$ 15,909,387	\$ 16,029,689

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**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
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
<b>EXPENSES</b>			
<b>Program</b>			
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
<b>Support</b>			
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
Total support	200,312	-	200,312
Total expenses	962,803	-	962,803
Change in net assets	58,746	1,405,749	1,464,495
<b>NET ASSETS</b>			
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**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,422,213	\$ 1,464,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for endowment	(1,332,778)	(713,670)
Net realized and unrealized gains on investments	(1,539,234)	(832,007)
Change in cash surrender value of life insurance	4,470	5,063
PPP loan forgiveness	(90,800)	-
Decrease in operating assets:		
Prepaid expenses and deposits	1,359	3,449
Increase (decrease) in operating liabilities:		
Accounts payable	288	(933)
Credit cards payable	105	8
Accrued payroll	(667)	(1,993)
Net cash provided by (used in) operating activities	464,956	(75,588)
<b>INVESTING ACTIVITIES</b>		
Change in investments, net	(1,446,297)	231,574
Net cash provided by (used in) investing activities	(1,446,297)	231,574
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	1,332,778	713,670
Proceeds from PPP loan	40,000	50,800
Proceeds from (payments on) line of credit	-	(40,000)
Net cash provided by financing activities	1,372,778	724,470
Net increase in cash, cash equivalents, and restricted cash	391,437	880,456
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Beginning	2,408,373	1,527,917
Ending	\$ 2,799,810	\$ 2,408,373
<b>SUPPLEMENTAL DISCLOSURE</b>		
PPP Loan Forgiveness	\$ 90,800	\$ -
Cash payments for interest	\$ -	\$ 600
<b>CASH REPORTED ON THE STATEMENTS OF FINANCIAL POSITION AS:</b>		
Cash and cash equivalents	\$ 473,412	\$ 51,913
Restricted cash	2,326,398	2,356,460
	\$ 2,799,810	\$ 2,408,373

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, 2021

### 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

There was no depreciation expense for the years ended December 31, 2021 and 2020.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

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

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, 2021

**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 May 20, 2022, 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>2021</u>	<u>2020</u>
Total current assets per the statements of financial position	\$ 477,472	\$ 57,332
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>(4,060)</u>	<u>(5,419)</u>
Financial assets available to meet general expenditures within one year of the statements of financial position date	<u>\$ 473,412</u>	<u>\$ 51,913</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 December 9, 2019, the Foundation invested in an additional three-year Local Impact Opportunity Note (LION) note with an annual rate of return of 1.75% with Virginia Community Capital (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, 2021**

**Note 3. Notes Receivable (Continued)**

On June 2, 2021, the Foundation invested in a three-year LION in the amount of \$50,000 with an annual rate of return of 1.3% with VCC, a Virginia non-stock corporation and community development financial institution.

**Note 4. Investments**

Investments as of December 31, 2021 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
With donor restrictions:		
Money markets and mutual funds	\$ 2,806,301	\$ 3,792,983
Equity securities	5,866,473	7,628,029
Debt securities	<u>1,541,239</u>	<u>1,653,718</u>
 Total investments	 <u>\$ 10,214,013</u>	 <u>\$ 13,074,730</u>

The following schedule summarizes net investment return and its classification on the statements of activities for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Interest and dividends	\$ 4,085	\$ 334,590
Realized gains	-	796,536
Unrealized gains	-	742,698
Investment fees	<u>-</u>	<u>(53,967)</u>
 Total investment return, net	 <u>\$ 4,085</u>	 <u>\$ 1,819,857</u>

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>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**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, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
Interest and dividends	\$ 3,916	\$ 270,529
Realized gains	-	184,313
Unrealized gains	-	647,694
Investment fees	-	(64,102)
	<u>\$ 3,916</u>	<u>\$ 1,038,434</u>
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, 2021). At December 31, 2021 and 2020, outstanding borrowings totaled \$-0-.

Interest expense was \$-0- and \$600 in 2021 and 2020, 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, 2021

### 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, 2021**

**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, 2021 and 2020, funds with a fair value of \$3 and \$2,797 and an original gift value of \$11,550 and \$16,797 were “underwater” by \$11,547 and \$14,000, 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:

	2021			2020		
	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	\$ -	\$ 10,954,521	\$ 10,954,521	\$ -	\$ 9,056,626	\$ 9,056,626
Accumulated investment gains and term endowments	-	3,899,871	3,899,871	-	2,554,447	2,554,447
Pass-through funds	-	1,054,995	1,054,995	-	958,452	958,452
Total endowment net assets	\$ -	\$ 15,909,387	\$ 15,909,387	\$ -	\$ 12,569,525	\$ 12,569,525

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**Note 7. Endowment Funds (Continued)**

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

	2021			2020		
	Accumulated Endowment Investment Return	Restricted in Perpetuity	Total	Accumulated Endowment Investment Return	Restricted in Perpetuity	Total
Endowment net assets, Beginning	\$ 3,512,899	\$ 9,056,626	\$ 12,569,525	\$ 2,851,650	\$ 8,312,126	\$ 11,163,776
Investment return, net	1,819,857	-	1,819,857	1,038,434	-	1,038,434
Change in cash surrender value of life insurance	(9,471)	-	(9,471)	(10,062)	-	(10,062)
Contributions	390,895	1,872,669	2,263,564	509,178	713,670	1,222,848
Amounts appropriated for expenditure	(518,913)	-	(518,913)	(654,388)	-	(654,388)
Reclassification	(73,237)	25,226	(48,011)	(71,669)	30,830	(40,839)
Administrative fees	<u>(167,164)</u>	<u>-</u>	<u>(167,164)</u>	<u>(150,244)</u>	<u>-</u>	<u>(150,244)</u>
Endowment net assets, Ending	<u>\$ 4,954,866</u>	<u>\$ 10,954,521</u>	<u>\$ 15,909,387</u>	<u>\$ 3,512,899</u>	<u>\$ 9,056,626</u>	<u>\$ 12,569,525</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, 2021**

**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:

	2021				2020			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Recurring fair value measurements:								
Money markets/mutual funds	\$ 3,792,983	\$ 3,792,983	\$ -	\$ -	\$ 5,090,379	\$ 5,090,379	\$ -	\$ -
Equity securities	7,628,029	7,614,301	13,728	-	3,880,705	3,870,303	10,402	-
Debt securities	1,653,718	1,653,718	-	-	1,118,115	1,118,115	-	-
Life insurance cash value	22,905	-	22,905	-	27,375	-	27,375	-
	13,097,635	13,061,002	36,633	-	10,116,574	10,078,797	37,777	-
Nonrecurring fair value measurements:								
Real estate	30,000	-	30,000	-	30,000	-	30,000	-
Total financial assets	<u>\$ 13,127,635</u>	<u>\$ 13,061,002</u>	<u>\$ 66,633</u>	<u>\$ -</u>	<u>\$ 10,146,574</u>	<u>\$ 10,078,797</u>	<u>\$ 67,777</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, 2021**

**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 \$23,995 and \$20,059 for the years ended December 2021 and 2020, respectively.

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

2022	<u>\$ 19,996</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 \$12,848 and \$9,100 were made for the years ended December 2021 and 2020, 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 2022. 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 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, which was also forgiven in 2021.