



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

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

**FINANCIAL REPORT**

**DECEMBER 31, 2017**

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

**FINANCIAL REPORT**

**December 31, 2017**

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT .....	3
FINANCIAL STATEMENTS	
Statements of Financial Position .....	5
Statements of Activities.....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The 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, which comprise the statements of financial position as of December 31, 2017 and 2016, 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 misstatements.

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, 2017 and 2016, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg, Virginia  
June 19, 2018

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 78,750	\$ 44,521
Prepaid expenses and deposits	878	520
Total current assets	<u>79,628</u>	<u>45,041</u>
Non-current assets		
Cash and cash equivalents	1,385,742	1,118,776
Endowment investments	8,348,265	7,378,914
Notes receivable	100,000	100,000
Land	30,000	30,000
Cash surrender value of life insurance	39,407	37,493
Total non-current assets	<u>9,903,414</u>	<u>8,665,183</u>
Total assets	<u>\$ 9,983,042</u>	<u>\$ 8,710,224</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 811	\$ 346
Credit cards payable	120	1,093
Accrued payroll	6,031	7,169
Total current liabilities	<u>6,962</u>	<u>8,608</u>
Net assets		
Unrestricted	20,824	53,449
Temporarily restricted	2,812,680	2,252,122
Permanently restricted	7,142,576	6,396,045
Total net assets	<u>9,976,080</u>	<u>8,701,616</u>
Total liabilities and net assets	<u>\$ 9,983,042</u>	<u>\$ 8,710,224</u>

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

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

**STATEMENTS OF ACTIVITIES**

**Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support, revenues, and reclassifications				
Contributions	\$ 157,330	\$ 320,595	\$ 746,531	\$ 1,224,456
Investment return	-	941,720	-	941,720
Cash surrender value or life insurance	-	(3,086)	-	(3,086)
Other income	1,000	-	-	1,000
Assets released from restrictions:				
Restrictions satisfied by payments	586,717	(586,717)	-	-
Administration fees	111,954	(111,954)	-	-
Total public support, revenues, and reclassifications	<u>857,001</u>	<u>560,558</u>	<u>746,531</u>	<u>2,164,090</u>
Expenses				
Program				
Grant and scholarships	450,173	-	-	450,173
Total program	<u>450,173</u>	<u>-</u>	<u>-</u>	<u>450,173</u>
Support				
Advertising	3,530	-	-	3,530
Dues and subscriptions	6,605	-	-	6,605
Fundraising and donor relations	-	-	-	-
Health insurance	19,096	-	-	19,096
Meetings	16,507	-	-	16,507
Office furniture and supplies	2,053	-	-	2,053
Payroll	181,068	-	-	181,068
Postage and delivery	2,513	-	-	2,513
Printing and copying	8,424	-	-	8,424
Professional fees	41,711	-	-	41,711
Real estate	192	-	-	192
Recognition	476	-	-	476
Rent	15,450	-	-	15,450
Other insurance	3,158	-	-	3,158
Other technology	30,248	-	-	30,248
Telephone and internet	1,778	-	-	1,778
Third Thursday costs	-	-	-	-
Travel	1,621	-	-	1,621
Alliance for Better Childcare Strategies	104,387	-	-	104,387
Miscellaneous	636	-	-	636
Total support	<u>439,453</u>	<u>-</u>	<u>-</u>	<u>439,453</u>
Total expenses	<u>889,626</u>	<u>-</u>	<u>-</u>	<u>889,626</u>
Change in net assets	(32,625)	560,558	746,531	1,274,464
Net assets				
Beginning	53,449	2,252,122	6,396,045	8,701,616
Ending	<u>\$ 20,824</u>	<u>\$ 2,812,680</u>	<u>\$ 7,142,576</u>	<u>\$ 9,976,080</u>

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

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

**STATEMENTS OF ACTIVITIES**

**Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support, revenues, and reclassifications				
Contributions	\$ 179,996	\$ 385,110	\$ 211,119	\$ 776,225
Investment return	-	428,531	-	428,531
Cash surrender value or life insurance	-	(5,801)	-	(5,801)
Other income	596	-	-	596
Assets released from restrictions:				
Restrictions satisfied by payments	530,938	(530,938)	-	-
Administration fees	110,411	(110,411)	-	-
Total public support, revenues, and reclassifications	<u>821,941</u>	<u>166,491</u>	<u>211,119</u>	<u>1,199,551</u>
Expenses				
Program				
Grant and scholarships	536,796	-	-	536,796
Total program	<u>536,796</u>	<u>-</u>	<u>-</u>	<u>536,796</u>
Support				
Advertising	8,075	-	-	8,075
Dues and subscriptions	6,031	-	-	6,031
Fundraising and donor relations	2,800	-	-	2,800
Health insurance	18,625	-	-	18,625
Meetings	12,410	-	-	12,410
Office furniture and supplies	4,164	-	-	4,164
Payroll	164,017	-	-	164,017
Postage and delivery	2,153	-	-	2,153
Printing and copying	6,233	-	-	6,233
Professional fees	38,589	-	-	38,589
Real estate	192	-	-	192
Recognition	672	-	-	672
Rent	16,440	-	-	16,440
Other insurance	3,223	-	-	3,223
Other technology	22,893	-	-	22,893
Telephone and internet	1,201	-	-	1,201
Third Thursday costs	251	-	-	251
Travel	1,206	-	-	1,206
Alliance for Better Childcare Strategies	4,835	-	-	4,835
Miscellaneous	3,207	-	-	3,207
Total support	<u>317,217</u>	<u>-</u>	<u>-</u>	<u>317,217</u>
Total expenses	<u>854,013</u>	<u>-</u>	<u>-</u>	<u>854,013</u>
Change in net assets	(32,072)	166,491	211,119	345,538
Net assets				
Beginning	85,521	2,085,631	6,184,926	8,356,078
Ending	<u>\$ 53,449</u>	<u>\$ 2,252,122</u>	<u>\$ 6,396,045</u>	<u>\$ 8,701,616</u>

The Notes to Consolidated 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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,274,464	\$ 345,538
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for endowment	(746,531)	(211,119)
Realized and unrealized gains and losses on investments	(755,359)	(285,116)
Change in cash surrender value of life insurance	(1,914)	801
Writedown on carrying value of land	-	41,000
(Increase) Decrease in operating assets		
Pledges receivable		-
Prepaid expenses and deposits	(358)	1,144
Increase (Decrease) in operating liabilities		
Accounts payable	465	(1,876)
Credit cards payable	(973)	566
Accrued payroll	(1,138)	971
<b>Net cash used in operating activities</b>	<b>(231,344)</b>	<b>(108,091)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of notes receivable	-	(50,000)
Change in investments, net	(747,925)	(112,310)
Change in non-current cash and cash equivalents	266,967	84,433
<b>Net cash used in investing activities</b>	<b>(480,958)</b>	<b>(77,877)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	746,531	211,119
<b>Net cash provided by financing activities</b>	<b>746,531</b>	<b>211,119</b>
Net increase in cash and cash equivalents	34,229	25,151
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	44,521	19,370
Ending	\$ 78,750	\$ 44,521

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

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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) non-profit organization, the Foundation is managed by an independent, volunteer governing board representative of the New River Valley.

Method of accounting

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

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. If donated, then fair market value will be used to book the asset. Property and equipment is depreciated using the straight line method over the following useful lives:

Software	2 years
Equipment	5 years
Furniture	7 years

Income taxes

The Foundation is a non-profit 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 meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Cash equivalents

For purposes of the statement 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 temporarily and permanently restricted cash is considered restricted holdings and is not included in the beginning and ending cash balances on the statement of cash flows. Accounts in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, deposits exceed federally insured limits.

(Continued)

THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Financial statement presentation

The Foundation follows Generally Accepted Accounting Principles (GAAP) in which it reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

**Unrestricted** net assets are free of donor-imposed restrictions. Unrestricted 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 temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

**Temporarily restricted** net assets are limited in use by donor-imposed stipulations that expire either with the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

**Permanently restricted** net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds.

(Continued)

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

**NOTES TO CONSOLIDATED STATEMENTS**

**December 31, 2017**

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions.

Reclassifications

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

Date of Management's review

The Foundation has evaluated events and transactions for potential recognition or disclosure through June 19, 2018, the date the financial statements were available to be issued.

**Note 2. Notes Receivable**

During December 2016, the Foundation purchased a \$50,000 Local Impact Opportunity Note (LION) in addition to the \$50,000 purchased in 2015, with Virginia Community Capital, a Virginia non-stock corporation and community development financial institution. Per the note agreement, 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. The LION note matures in three years.

	<u>Cost</u>	<u>Fair Value</u>
Temporarily and permanently restricted:		
Money market and mutual funds	\$ 4,181,717	\$ 5,549,795
Equity securities	1,987,378	2,750,320
Debt securities	48,152	48,150
Total investments	<u>\$ 6,217,247</u>	<u>\$ 8,348,265</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 3. Investments**

Investments as of December 31, 2017 are summarized as follows:

	Cost	Fair Value
Temporarily and permanently restricted:		
Money market and mutual funds	\$ 4,181,717	\$ 5,549,795
Equity securities	1,987,378	2,750,320
Debt securities	48,152	48,150
Total investments	\$ 6,217,247	\$ 8,348,265

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017:

Interest and dividends	\$ 250,984
Realized gains	125,847
Unrealized gains	629,512
Expenses	(64,623)
Total investment income	\$ 941,720

Investments as of December 31, 2016 are summarized as follows:

	Cost	Fair Value
Temporarily and permanently restricted:		
Money market and mutual funds	\$ 3,917,047	\$ 4,871,657
Equity securities	1,989,186	2,472,021
Debt securities	35,231	35,236
Total Investments	\$ 5,941,464	\$ 7,378,914

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016:

Interest and dividends	\$ 203,636
Realized gains	231,536
Unrealized gains	53,580
Expenses	(60,221)
Total investment income	\$ 428,531

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 4. Administration Fees**

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

**Note 5. 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 temporarily restricted and/or permanently restricted. Permanently restricted net assets 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. Temporarily restricted net assets include the assets of certain endowment funds where the principal and the accumulated earnings are available for expenditure. Also classified as temporarily restricted net assets are the accumulated earnings of permanently restricted funds. When distributions are made from these temporarily restricted funds for the purposes specified in the endowment fund agreements, the amounts are reported as released from restrictions in the statement of activities.

The Foundation's endowments 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, 2017**

**Note 5. Endowment Funds (Continued)**

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 permanently restricted net assets (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. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 5. Endowment Funds (Continued)**

Changes in endowment net assets are summarized as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment Net Assets, December 31, 2015</b>	\$ 2,085,631	\$ 6,184,926	\$ 8,270,557
Investment Return	496,810	-	496,810
Change in cash surrender value of life insurance	(5,801)	-	(5,801)
Contributions	382,110	211,119	593,229
Funds released from restrictions	(530,938)	-	(530,938)
Endowment Administration Fees	(110,411)	-	(110,411)
Investment Fees	(60,221)	-	(60,221)
Life Insurance Premium	(5,000)	-	(5,000)
Foreign Taxes Paid	(58)	-	(58)
<b>Endowment Net Assets, December 31, 2016</b>	<u>2,252,122</u>	<u>6,396,045</u>	<u>8,648,167</u>
Investment Return	1,011,797	-	1,011,797
Change in cash surrender value of life insurance	(3,086)	-	(3,086)
Contributions	320,595	746,531	1,067,126
Funds released from restrictions	(586,717)	-	(586,717)
Endowment Administration Fees	(111,954)	-	(111,954)
Investment Fees	(64,623)	-	(64,623)
Life Insurance Premium	(5,000)	-	(5,000)
Foreign Taxes Paid	(454)	-	(454)
<b>Endowment Net Assets, December 31, 2017</b>	<u>\$ 2,812,680</u>	<u>\$ 7,142,576</u>	<u>\$ 9,955,256</u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets:

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets:		
A) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ 7,142,576	\$ 6,396,045
Total permanently restricted net assets:	<u>\$ 7,142,576</u>	<u>\$ 6,396,045</u>
Temporarily restricted net assets:		
A) Endowment funds, including earnings from permanently restricted funds	\$ 1,730,779	\$ 1,370,012
B) Pass-through funds	1,081,901	882,110
Total temporarily restricted net assets:	<u>\$ 2,812,680</u>	<u>\$ 2,252,122</u>

(Continued)



**THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**At December 31, 2017**

**Note 5. Endowment Funds (Continued)**

Funds with deficiencies

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in temporarily restricted net assets were \$3,758 as of December 31, 2017 and \$27,186 as of December 31, 2016. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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 S&P 500 Index while assuming a moderate level of investment risk.

Strategies employed for achieving 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 (realize and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a 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, 2017**

**Note 5. 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 investigation 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.

**Note 6. Fair Value Measurements**

The Foundation carries various assets 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 as reflected below. 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**  
**At December 31, 2017**

**Note 6. Fair Value Measurements (Continued)**

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

**Level 1** – Fair values are 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 values are 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 values are 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 investments by fair value hierarchy levels previously described as of December 31, 2017 and 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2017
Recurring fair value measurements:				
Investments:				
Money market/mutual	\$ 5,549,796	\$ -	\$ -	\$ 5,549,796
Equity securities	2,737,384	12,936	-	2,750,320
Debt securities	48,150	-	-	48,150
Insurance cash value	-	39,407	-	39,407
	<u>8,335,329</u>	<u>52,343</u>	<u>-</u>	<u>8,387,672</u>
Nonrecurring fair value measurements:				
Real estate	-	-	30,000	30,000
	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total	<u>\$ 8,335,329</u>	<u>\$ 52,343</u>	<u>\$ 30,000</u>	<u>\$ 8,417,672</u>

(Continued)

**THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**Note 6. Fair Value Measurements (Continued)**

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2016
Recurring fair value measurements:				
Investments:				
Money market/mutual	\$ 4,871,657	\$ -	\$ -	\$ 4,871,657
Equity securities	2,462,887	9,134	-	2,472,021
Debt securities	35,236	-	-	35,236
Insurance cash value	-	37,493	-	37,493
	<u>7,369,780</u>	<u>46,627</u>	<u>-</u>	<u>7,416,407</u>
Nonrecurring fair value measurements:				
Real estate	-	-	30,000	30,000
Total	<u>\$ 7,369,780</u>	<u>\$ 46,627</u>	<u>\$ 30,000</u>	<u>\$ 7,446,407</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 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 contribution and revalued as needed based on similar lots and the fluctuation of the real estate market.

**Note 7. Rent Expense**

The Foundation signed a lease with Community Housing Partners for office space effective October 1, 2014 for a term of three years. The lease terminated September 30, 2017. A new lease was signed for the period October 1, 2017 through September 30, 2018 with monthly payments of \$1,260. Rent expense for office space totaled \$15,450 and \$16,440 for the years ending December 2017 and 2016, respectively.

**Note 8. Retirement Plan**

The Foundation has an SEP Retirement Plan for employees with at least one year of service. Foundation contributions totaling \$10,752 and \$10,478 were made for the years ending December 2017 and 2016, respectively.