



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

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

**FINANCIAL REPORT**

**DECEMBER 31, 2018**

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

**FINANCIAL REPORT**

**December 31, 2018**

## 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 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, 2018, and 2017, 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, 2018 and 2017, 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, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg, Virginia

June 20, 2019

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 98,909	\$ 78,750
Prepaid expenses and deposits	1,378	878
	<u>100,287</u>	<u>79,628</u>
<b>NON-CURRENT ASSETS</b>		
Cash and cash equivalents	1,409,489	1,385,742
Endowment investments (Note 4)	8,027,710	8,348,265
Notes receivable (Note 3)	100,000	100,000
Land	30,000	30,000
Cash surrender value of life insurance	36,275	39,407
	<u>9,603,474</u>	<u>9,903,414</u>
Total non-current assets	<u>9,603,474</u>	<u>9,903,414</u>
Total assets	<u>\$ 9,703,761</u>	<u>\$ 9,983,042</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,768	\$ 811
Credit cards payable	239	120
Accrued payroll	5,951	6,031
Deferred revenue	2,000	-
	<u>9,958</u>	<u>6,962</u>
Total current liabilities	<u>9,958</u>	<u>6,962</u>
<b>NET ASSETS, (Note 7)</b>		
Without donor restrictions		
Operating	8,180	20,824
With donor restrictions	9,685,623	9,955,256
	<u>9,693,803</u>	<u>9,976,080</u>
Total net assets	<u>9,693,803</u>	<u>9,976,080</u>
Total liabilities and net assets	<u>\$ 9,703,761</u>	<u>\$ 9,983,042</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, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
Contributions	\$ 120,258	\$ 997,192	\$ 1,117,450
Investment return	-	(571,245)	(571,245)
Cash surrender value or life insurance	-	(8,132)	(8,132)
Other income	-	-	-
Assets released from restrictions:			
Restrictions satisfied by payments and reclassifications	554,196	(554,196)	-
Administration fees	133,252	(133,252)	-
	<u>807,706</u>	<u>(269,633)</u>	<u>538,073</u>
<b>EXPENSES</b>			
<b>Program</b>			
Grant and scholarships	<u>367,717</u>	<u>-</u>	<u>367,717</u>
Total program	<u>367,717</u>	<u>-</u>	<u>367,717</u>
<b>Support</b>			
Advertising	4,248	-	4,248
Dues and subscriptions	8,223	-	8,223
Fundraising and donor relations	3,698	-	3,698
Health insurance	19,569	-	19,569
Meetings	23,890	-	23,890
Office furniture and supplies	2,202	-	2,202
Payroll	189,062	-	189,062
Postage and delivery	1,698	-	1,698
Printing and copying	7,011	-	7,011
Professional fees	41,242	-	41,242
Real estate	231	-	231
Recognition	272	-	272
Rent	15,420	-	15,420
Other insurance	3,380	-	3,380
Other technology	23,907	-	23,907
Telephone and internet	1,907	-	1,907
Travel	1,311	-	1,311
Alliance for Better Childcare Strategies	104,998	-	104,998
Miscellaneous	364	-	364
Total support	<u>452,633</u>	<u>-</u>	<u>452,633</u>
Total expenses	<u>820,350</u>	<u>-</u>	<u>820,350</u>
Change in net assets	(12,644)	(269,633)	(282,277)
<b>NET ASSETS</b>			
Beginning	<u>20,824</u>	<u>9,955,256</u>	<u>9,976,080</u>
Ending	<u>\$ 8,180</u>	<u>\$ 9,685,623</u>	<u>\$ 9,693,803</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, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS</b>			
Contributions	\$ 151,049	\$ 980,887	\$ 1,131,936
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 and reclassifications	500,478	(500,478)	-
Administration fees	111,954	(111,954)	-
	<hr/>	<hr/>	<hr/>
Total public support, revenues, and reclassifications	764,481	1,307,089	2,071,570
	<hr/>	<hr/>	<hr/>
<b>EXPENSES</b>			
Program			
Grant and scholarships	357,653	-	357,653
	<hr/>	<hr/>	<hr/>
Total program	357,653	-	357,653
	<hr/>	<hr/>	<hr/>
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
Travel	1,621	-	1,621
Alliance for Better Childcare Strategies	104,387	-	104,387
Miscellaneous	636	-	636
	<hr/>	<hr/>	<hr/>
Total support	439,453	-	439,453
	<hr/>	<hr/>	<hr/>
Total expenses	797,106	-	797,106
	<hr/>	<hr/>	<hr/>
Change in net assets	(32,625)	1,307,089	1,274,464
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS, as reclassified</b>			
Beginning	53,449	8,648,167	8,701,616
	<hr/>	<hr/>	<hr/>
Ending	\$ 20,824	\$ 9,955,256	\$ 9,976,080
	<hr/>	<hr/>	<hr/>

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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (282,277)	\$ 1,274,464
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for endowment	(769,358)	(746,531)
Realized and unrealized gains and losses on investments	822,514	(755,359)
Change in cash surrender value of life insurance	3,132	(1,914)
(Increase) decrease in operating assets		
Prepaid expenses and deposits	(500)	(358)
Increase (decrease) in operating liabilities		
Accounts payable	957	465
Credit cards payable	119	(973)
Accrued payroll	(80)	(1,138)
Deferred revenue	2,000	-
	(223,493)	(231,344)
Net cash used in operating activities	(223,493)	(231,344)
<b>INVESTING ACTIVITIES</b>		
Change in investments, net	(549,453)	(747,925)
Change in non-current cash and cash equivalents	23,747	266,967
Net cash used in investing activities	(525,706)	(480,958)
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	769,358	746,531
Net cash provided by financing activities	769,358	746,531
Net increase in cash and cash equivalents	20,159	34,229
<b>CASH, beginning</b>	78,750	44,521
<b>CASH, ending</b>	\$ 98,909	\$ 78,750

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, 2018

### 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.

#### Financial statement presentation

The Foundation follows Generally Accepted Accounting Principles (GAAP), in which it reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

#### Recent accounting pronouncement – not-for-profit financial statement presentation

During 2018, the Foundation adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

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

Recent accounting pronouncement – not-for-profit financial statement presentation (Continued)

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2016 and 2017 follows:

	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
<b><u>At December 31, 2016</u></b>			
As previously presented:			
Unrestricted	\$ 53,449	\$ -	\$ 53,449
Temporarily restricted	-	2,252,122	2,252,122
Permanently restricted	-	6,396,045	6,396,045
	<u>          </u>	<u>          </u>	<u>          </u>
Net assets at December 31, 2017, as reclassified	<u>\$ 53,449</u>	<u>\$ 8,648,167</u>	<u>\$ 8,701,616</u>
<b><u>At December 31, 2017</u></b>			
As previously presented:			
Unrestricted	\$ 20,824	\$ -	\$ 20,824
Temporarily restricted	-	2,812,680	2,812,680
Permanently restricted	-	7,142,576	7,142,576
	<u>          </u>	<u>          </u>	<u>          </u>
Net assets at December 31, 2017, as reclassified	<u>\$ 20,824</u>	<u>\$ 9,955,256</u>	<u>\$ 9,976,080</u>

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

There was no depreciation expense for the years ending December 31, 2018 and 2017.

(Continued)

# THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

#### 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 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 is not included in the beginning and ending cash balances on the statements of cash flows. 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.

#### 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.

#### Contributions

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

#### 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 20, 2019, the date the financial statements were available to be issued.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 2. Liquidity and Availability of Financial Assets**

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

As of December 31, 2018, financial assets available to meet cash needs for general expenditures within one year of the balance sheet date are as follows:

Total current assets per the statements of financial position	\$ 100,287
Deductions from total current assets to yield financial assets available or general expenditures within one year of the balance sheet date:	
Prepaid expenses and deposits	<u>(1,378)</u>
Total financial assets available to meet cash needs for general expenditures within one year of the balance sheet date	<u>\$ 98,909</u>

The Foundation's endowment funds consists of donor endowment. Income from donor endowment is restricted for specific purposes and, therefore, is not available for general expenditure.

**Note 3. Notes Receivable**

During April 2018, the Foundation invested in a Local Impact Opportunity Note (LION) in the amount of \$50,000, in addition to the \$50,000 invested in 2016, 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 notes are three year maturity investments with an annual rate of return of 1.5%.

**Note 4. Investments**

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

	<u>Cost</u>	<u>Fair Value</u>
With donor restrictions:		
Money market and mutual funds	\$ 4,828,954	\$ 5,348,677
Equity securities	2,199,139	2,588,087
Debt securities	<u>90,952</u>	<u>90,946</u>
Total investments	<u>\$ 7,119,045</u>	<u>\$ 8,027,710</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 4. Investments (Continued)**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
Interest and dividends	\$ -	\$ 310,448
Realized gains		370,075
Unrealized gains	-	(1,192,589)
Expenses	-	(59,179)
	<hr/>	<hr/>
Total investment income	\$ -	\$ (571,245)

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

	<b>Cost</b>	<b>Fair Value</b>
With donor restrictions:		
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
	<hr/>	<hr/>
Total investments	\$ 6,217,247	\$ 8,348,265

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
Interest and dividends	\$ -	\$ 250,984
Realized gains		125,847
Unrealized gains	-	629,512
Expenses	-	(64,623)
	<hr/>	<hr/>
Total investment income	\$ -	\$ 941,720

(Continued)

# THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 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 with an interest rate of Prime which is subject to change monthly. There was no outstanding balance on the line of credit at December 31, 2018 and 2017.

### 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 in the statements of activities.

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

#### Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the 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 net assets with donor restrictions on the statements of financial positions (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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the Virginia legislature.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

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

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.

Changes in endowment net assets are summarized as follows:

	<b>Accumulated Endowment Investment Return</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
<b>Endowment net assets, December 2016</b>	\$ 2,252,122	\$ 6,396,045	\$ 8,648,167
Investment return	1,011,343	-	1,011,343
Change in cash surrender value of life insurance	(8,086)	-	(8,086)
Contributions	234,356	746,531	980,887
Funds released from restrictions	(586,717)	-	(586,717)
Reclassifications	86,239	-	86,239
Endowment administration fees	(111,954)	-	(111,954)
Investment fees	(64,623)	-	(64,623)
<b>Endowment net assets, December 31, 2017</b>	2,812,680	7,142,576	9,955,256
Investment return	(512,066)	-	(512,066)
Change in cash surrender value of life insurance	(8,132)	-	(8,132)
Contributions	227,834	769,358	997,192
Funds released from restrictions	(510,369)	-	(510,369)
Reclassifications	(112,052)	68,225	(43,827)
Endowment administration fees	(133,252)	-	(133,252)
Investment fees	(59,179)	-	(59,179)
<b>Endowment net assets, December 31, 2018</b>	<u>\$ 1,705,464</u>	<u>\$ 7,980,159</u>	<u>\$ 9,685,623</u>

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

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

The Foundation's endowment consisted of the following net assets as of December 31, 2018 and 2017:

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:						
Original donor-restricted gift amount and amounts to be maintained in perpetuity	\$ -	\$ 7,980,159	\$ 7,980,159	\$ -	\$ 7,142,576	\$ 7,142,576
Accumulated investment gains and term endowments	-	818,162	818,162	-	1,730,779	1,730,779
Pass-through funds	-	887,302	887,302	-	1,081,901	1,081,901
Total endowment net assets	<u>\$ -</u>	<u>\$ 9,685,623</u>	<u>\$ 9,685,623</u>	<u>\$ -</u>	<u>\$ 9,955,256</u>	<u>\$ 9,955,256</u>

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were \$93,346 as of December 31, 2018 and \$3,758 as of December 31, 2017. 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.

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.

(Continued)

# THE COMMUNITY FOUNDATION OF THE NEW RIVER VALLEY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### Note 7. Endowment Funds (Continued)

#### 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 (realized 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.

#### Spending policy and how investment objectives relate to spending policy

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

### 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, 2018**

**Note 8. 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, 2018 and 2017:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>December 31, 2018</b>
Recurring fair value measurements:				
Money market/mutual	\$ 5,348,677	\$ -	\$ -	\$ 5,348,677
Equity securities	2,576,577	11,510	-	2,588,087
Debt securities	90,946	-	-	90,946
Insurance cash value	-	36,275	-	36,275
	<u>8,016,200</u>	<u>47,785</u>	<u>-</u>	<u>8,063,985</u>
Nonrecurring fair value measurements:				
Real estate	-	30,000	-	30,000
	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total	<u>\$ 8,016,200</u>	<u>\$ 77,785</u>	<u>\$ -</u>	<u>\$ 8,093,985</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

**Note 8. 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, 2017
Recurring fair value measurements:				
Money market/mutual	\$ 5,549,795	\$ -	\$ -	\$ 5,549,795
Equity securities	2,737,384	12,936	-	2,750,320
Debt securities	48,150	-	-	48,150
Insurance cash value	-	39,407	-	39,407
	8,335,329	52,343		8,387,672
Nonrecurring fair value measurements:				
Real estate	-	30,000	-	30,000
Total	\$ 8,335,329	\$ 82,343	\$ -	\$ 8,417,672

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 contribution and revalued as needed based on similar lots and the fluctuation of the real estate market.

**Note 9. Rent Expense**

The Foundation signed a lease with Community Housing Partners for office space effective October 1, 2017 through September 30, 2018 with monthly payments of \$1,260. Effective October 1, 2018, the Foundation is on a month-to-month lease with Community Housing Partners. Rent expense for office space totaled \$15,420 and \$15,450 for the years ending December 2018 and 2017, respectively.

**Note 10. Retirement Plan**

During 2001 the Foundation established an SEP Retirement Plan for employees with at least one year of service. Foundation contributions totaling \$12,078 and \$10,752 were made for the years ending December 2018 and 2017, respectively.