



## FINANCIAL REPORT

JUNE 30, 2021



**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**FINANCIAL REPORT**

**June 30, 2021**

## CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statement of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements.....	9

## **INDEPENDENT AUDITOR'S REPORT**

Board of Governors  
Community Foundation Serving Western Virginia  
Roanoke, Virginia

We have audited the accompanying financial statements of Community Foundation Serving Western Virginia, a not-for-profit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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 of 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 entity'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 entity'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 present fairly, in all material respects, the financial position of Community Foundation Serving Western Virginia as of June 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
February 7, 2022

**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,678,225	\$ 1,109,313
Investments (Notes 1, 2 and 3)	108,321,635	79,689,754
Contributions receivable from remainder trusts and estates (Note 4)	7,833,112	7,735,710
Land held for sale	186,756	268,500
Educational loans receivable, net (Note 5)	248,756	340,967
Prepaid expenses	17,449	17,227
Property and equipment, net	33,143	38,153
	<u>\$ 118,319,076</u>	<u>\$ 89,199,624</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Grants payable	\$ 167,250	\$ 243,535
Accounts payable and accrued liabilities	55,048	60,677
Annuity obligations (Note 1)	161,060	165,812
Agency funds (Note 1)	4,200,162	3,282,374
	<u>4,583,520</u>	<u>3,752,398</u>
<b>NET ASSETS</b>		
Without donor restriction (Note 1):		
Undesignated	13,020,478	8,742,859
Field of interest	38,132,017	27,752,781
Designated	12,666,920	9,153,191
Advised	20,307,703	14,984,761
Scholarship	21,192,700	16,391,223
	<u>105,319,818</u>	<u>77,024,815</u>
With donor restrictions (Note 1)	<u>8,415,738</u>	<u>8,422,411</u>
	<u>113,735,556</u>	<u>85,447,226</u>
	<u>\$ 118,319,076</u>	<u>\$ 89,199,624</u>

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

**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2021**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 3,309,699	\$ 3,563,662	\$ 6,873,361
Interest and dividend income	501,235	1,478	502,713
Administrative fees	1,095,602	-	1,095,602
Unrealized gains on investments	21,425,791	64,650	21,490,441
Realized gains on investments	3,024,527	9,032	3,033,559
Change in receivables from trusts and estates	-	934,529	934,529
Change in annuity obligations	-	4,752	4,752
Net assets released from donor restrictions	4,584,776	(4,584,776)	-
Total support and revenues	33,941,630	(6,673)	33,934,957
<b>EXPENSES</b>			
Program services and grant making	3,470,891	-	3,470,891
General and administrative	2,062,144	-	2,062,144
Fundraising	113,592	-	113,592
Total expenses	5,646,627	-	5,646,627
Change in net assets	28,295,003	(6,673)	28,288,330
<b>NET ASSETS</b>			
Beginning	77,024,815	8,422,411	85,447,226
Ending	\$ 105,319,818	\$ 8,415,738	\$ 113,735,556

The Notes to Financial Statements are an integral part of this statement.

**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2020**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 3,957,217	\$ 6,582,670	\$ 10,539,887
Interest and dividend income	655,226	2,227	657,453
Administrative fees	985,644	-	985,644
Unrealized gains on investments	870,063	3,547	873,610
Realized gains on investments	1,340,178	4,714	1,344,892
Change in receivables from trusts and estates	-	(9,384)	(9,384)
Change in annuity obligations	-	9,041	9,041
Net assets released from donor restrictions	6,265,565	(6,265,565)	-
Total support and revenues	14,073,893	327,250	14,401,143
<b>EXPENSES</b>			
Program services and grant making	3,954,643	-	3,954,643
General and administrative	1,830,936	-	1,830,936
Fundraising	118,559	-	118,559
Total expenses	5,904,138	-	5,904,138
Change in net assets	8,169,755	327,250	8,497,005
<b>NET ASSETS</b>			
Beginning	68,855,060	8,095,161	76,950,221
Ending	\$ 77,024,815	\$ 8,422,411	\$ 85,447,226

The Notes to Financial Statements are an integral part of this statement.



**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2021**

	<u><b>Program</b></u>	<u><b>Administration</b></u>	<u><b>Fundraising</b></u>	<u><b>Total</b></u>
Grants and other assistance	\$ 3,128,763	\$ -	\$ -	\$ 3,128,763
Annuity payments	31,720	-	-	31,720
Administrative fees	-	1,095,602	-	1,095,602
Professional services	285	28,196	285	28,766
Events	9,849	-	10,256	20,105
Benefits	33,394	52,477	9,541	95,412
Information technology	29,607	54,737	8,459	92,803
Travel	370	582	106	1,058
Payroll taxes	15,411	24,217	4,403	44,031
Investment fees	-	331,721	-	331,721
Insurance	549	8,702	157	9,408
Marketing	6,366	-	11,224	17,590
Office	2,708	7,768	1,499	11,975
Postage	1,083	1,701	309	3,093
Occupancy	-	105,649	-	105,649
Salaries	209,080	328,554	59,737	597,371
Professional development	-	5,898	-	5,898
Telephone	1,706	2,680	487	4,873
Depreciation	-	13,106	-	13,106
Bad debt	-	(5,481)	-	(5,481)
Miscellaneous	-	6,035	7,129	13,164
<b>Total functional expenses</b>	<u><u>\$ 3,470,891</u></u>	<u><u>\$ 2,062,144</u></u>	<u><u>\$ 113,592</u></u>	<u><u>\$ 5,646,627</u></u>

The Notes to Financial Statements are an integral part of this statement.

**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 28,288,330	\$ 8,497,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance of bad debt	(2,324)	(18,318)
Depreciation expense	13,106	20,003
Unrealized/realized gains on investments, net	(24,865,031)	(2,655,545)
Unrealized/realized gains on agency funds	(969,558)	(88,262)
Land held for sale	81,744	(268,500)
Change in:		
Contributions receivable from remainder trusts and estates	(97,402)	(111,879)
Prepaid expenses	(222)	(184)
Grants payable	(76,285)	140,205
Accounts payable and accrued liabilities	(5,629)	8,382
Annuity obligations	(4,752)	(9,041)
Agency funds	917,788	84,781
Net cash provided by operating activities	<u>3,279,765</u>	<u>5,598,647</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	10,092,843	7,701,340
Purchases of investments	(12,890,135)	(13,300,759)
Educational loans receivable, net	94,535	65,611
Purchases of property and equipment	<u>(8,096)</u>	<u>(11,595)</u>
Net cash used in investing activities	<u>(2,710,853)</u>	<u>(5,545,403)</u>
Net change in cash and cash equivalents	568,912	53,244
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>1,109,313</u>	<u>1,056,069</u>
Ending	<u><u>\$ 1,678,225</u></u>	<u><u>\$ 1,109,313</u></u>

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

# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 1. Nature of Operations and Summary of Significant Accounting Policies

Community Foundation Serving Western Virginia (the “Foundation”) is a publicly-supported community foundation, which was created in Virginia in 1988 and began operations in March 1990. The Foundation strives to provide a cost effective, efficient vehicle through which donors can make contributions and have them administered to a variety of charities throughout the southwestern Virginia region. Effective July 17, 2018, the Board of Governors approved changing the name of Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley to Community Foundation Serving Western Virginia.

#### Basis of presentation

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### Net assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation receives contributions from donors with stipulations regarding distributions of the assets and the earnings from the assets, but maintains a variance power over these contributions. While the Foundation attempts to meet the desires expressed by the donors at the time of the contributions, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Foundation’s Board of Governors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify all net assets as net assets without donor restriction, with the exception of assets related to charitable remainder trusts, charitable gift annuities, and educational loan receivables, which are classified as net assets with donor restriction due to the time restrictions of the assets. The financial statements report amounts separately by class of net assets as follows:

#### *Net assets without donor restrictions:*

1. **Undesignated funds** provide the best flexibility to meet present, emerging, and future community needs. The Foundation applies this fund to the areas of greatest need in the communities of southwestern Virginia.
2. **Field of interest funds** enable donors to specify their funds to a particular charitable area of interest. Specific grant recipients within that field are chosen by the Foundation.
3. **Designated funds** allow donors to specify which charitable organizations or programs are to benefit from the fund.
4. **Advised funds** enable donors to establish a fund and periodically make recommendations for grants from the fund.
5. **Scholarship funds** enable donors to provide annual financial support to deserving young men and women pursuing higher-education studies at accredited schools or universities. Recipients are selected in accordance with federal laws through a board-approved, objective, and non-discriminatory process.

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# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

#### Net assets (Continued)

*Net assets with donor restrictions* are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Foundation.

In accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

#### Investment and spending policies

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. Under this policy, as approved by the Board of Governors, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Foundation's spending and investment policies work together to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes. 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 value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grantmaking and administration. The current spending policy is to distribute an amount up to 5% of a moving 12-quarter average, unless a different amount is stated in the fund agreement. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally gifted to the Foundation. This may be caused by the timing of the gift and/or investment market conditions. The Foundation allows spending from these underwater endowments in accordance with its board-approved spending policy. As of June 30, 2021 and 2020, the value of underwater endowments was immaterial.

(Continued)

# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

#### Pending pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that lessees recognize all leases (other than leases with a term of twelve months or fewer) on the balance sheet as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria as well as the lessor accounting model, including guidance on separating components of a contract and consideration in the contract. In May 2020, the FASB voted to defer the effective date of ASU 2016-02. As a result, the standard is effective for fiscal year 2023. The standard will require modified retrospective application as of the beginning of the earliest period presented in the financial statements. Early application is permitted.

The Foundation is currently evaluating the impact the ASU will have on the financial statements and related disclosures.

#### Recent accounting pronouncement

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers; particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. The Foundation adopted this guidance effective June 1, 2020. The adoption of ASU 2014-09 did not result in any significant changes to the accounting for any of the Organization's material revenue streams.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Foundation adopted this guidance effective July 1, 2019. The adoption of ASU No. 2018-08 did not result in any significant changes to the accounting for any of the Foundation's material revenue streams.

#### Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments with a purchased maturity of less than three months to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies.

#### Investments

Investments in marketable securities are carried at fair value. The fair value of interests in hedge funds, private equities, and real assets are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and therefore, value realized upon disposition may vary significantly from reported values.

(Continued)

## COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

##### Investments (Continued)

Investment income (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Management periodically reviews its investment portfolio for other than temporary declines. Securities that are deemed to have other than temporary declines are assigned a new cost basis based on the fair value at the determination date. The difference in the old and new basis is recorded in investment income.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Investments are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

The Foundation manages an investment pool. Investment income is allocated to all pooled funds on a quarterly basis using the average balance in each fund during the quarter. The pool consists of funds free from donor restriction and limited by donor restriction.

##### Property and equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair values at date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to ten years for office furniture and equipment. It is the Foundation's policy to capitalize property and equipment expenditures over \$700. Accumulated depreciation was \$176,636 and \$163,531 at June 30, 2021 and 2020, respectively.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

(Continued)

# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

#### Income taxes

The Foundation is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code (IRC)* and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2021. The Foundation is not categorized as a private foundation and has no unrelated business income subject to federal or state income tax under Section 511 of the *IRC*.

#### Credit risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents and investments. The Foundation places its cash and cash equivalents in high credit quality financial institutions. On June 30, 2021 and 2020, a portion of the Foundation's deposits were in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Concentration of credit risk for investments is limited by the Foundation's policy of diversification.

#### Annuity obligations

The Foundation is a participant in several charitable gift annuities. Under these agreements, the donor contributes a sum of money to be invested by the Foundation. The Foundation makes an annual distribution to the donor for life. The present value of this future benefit is recorded as a liability. Upon the donor's death, the remaining principal and income are held for specified charitable organizations.

#### Agency funds

In accordance with accounting principles generally accepted in the United States of America, a liability is established when a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund. Revenues and expenses are reported net of agency funds on the statements of activities.

#### Allocation of expenses

The financial statements report expenses that are attributed to more than one program or supporting function. The costs of providing the various programs, grants, and supporting services have been summarized on a functional basis in the statement of functional expenses. Therefore expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

#### Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 7, 2022, the date the financial statements were available to be issued.

(Continued)

# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 2. Liquidity and Availability

The financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures are as follows as of year ended June 30:

	<u>2021</u>	<u>2020</u>
Cash held in operating fund	\$ 564,136	\$ 436,729
Administrative funds held in investment, net	<u>1,125,905</u>	<u>905,883</u>
	<u>\$ 1,690,041</u>	<u>\$ 1,342,612</u>

The Foundation draws administrative fees at the beginning of each fiscal year and these administrative fees, along with donations to the Foundation's operating funds, are the primary funding source for general operating expenditures for the Foundation. Administrative fees and donations were \$1,126,740 and \$985,644 for the year ended June 30, 2021 and 2020, respectively.

### Note 3. Fair Value of Measurements

The Foundation has adopted accounting standards which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2** – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(Continued)



## COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 3. Fair Value of Measurements (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies used at June 30, 2021 and 2020. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Stocks, foreign common stocks, and mutual funds (Level 1):* Valued at closing price reported on the active market on which the individual securities are traded.

*Corporate bonds (Level 2):* Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

*Limited partnerships (Level 3):* The Foundation uses the net asset value (NAV) or capital balances of its interest in the limited partnerships as a practical expedient to determine the fair value of its interest in the net assets of these entities. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. These fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided quarterly by these entities. Appreciation of investments in these entities is net of all fee allocations to the investment advisors.

*Remainder trusts receivable (Level 3):* Valued at the net present value of future cash flows expected to be received based on life expectancies of the donors and an applicable discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

**COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 3. Fair Value of Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 53,650,883	\$ -	\$ -	\$ 53,650,883
Stocks	15,866,627	-	-	15,866,627
Foreign common stock	1,231,271	-	-	1,231,271
Corporate bonds	-	315,266	-	315,266
Limited partnerships (b):				
Multi-asset class (a)(c)	-	61,212	-	24,660,257
Global bond (a)	-	-	-	2,017,906
Private equities (a)	-	-	-	7,177,302
Real assets (a)	-	-	-	1,878,148
Cash	-	-	-	1,523,975
Total investments	<u>70,748,781</u>	<u>376,478</u>	<u>-</u>	<u>108,321,635</u>
Remainder trusts receivable	<u>-</u>	<u>-</u>	<u>7,833,112</u>	<u>7,833,112</u>
	<u>\$ 70,748,781</u>	<u>\$ 376,478</u>	<u>\$ 7,833,112</u>	<u>\$ 116,154,747</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 39,378,268	\$ -	\$ -	\$ 39,378,268
Stocks	10,766,981	-	-	10,766,981
Foreign common stock	880,928	-	-	880,928
Corporate bonds	-	260,696	-	260,696
Limited partnerships: (b)				
Multi-asset class (a)(c)	-	-	-	17,812,112
Global bond (a)	-	-	-	1,942,101
Private equities (a)	-	-	-	3,240,824
Real assets (a)	-	-	-	1,426,241
Cash	-	-	-	3,981,603
Total investments	<u>51,026,177</u>	<u>260,696</u>	<u>-</u>	<u>79,689,754</u>
Remainder trusts receivable	<u>-</u>	<u>-</u>	<u>7,735,710</u>	<u>7,735,710</u>
	<u>\$ 51,026,177</u>	<u>\$ 260,696</u>	<u>\$ 7,735,710</u>	<u>\$ 87,425,464</u>

- (a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(Continued)

# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 3. Fair Value of Measurements (Continued)

- (b) This class includes limited partnerships whose investment objectives seek to produce absolute and consistent risk-adjusted returns. For certain limited partnership investments, partners have the right to periodically withdraw amounts subject to certain restrictions.
- (c) Mangham Associates Endowment Partners (MAEP) is an investment vehicle managed by Mangham Associates that pools investments for small to mid-size endowments to allow for access to larger funds. The MAEP investment portfolio was allocated across the following asset classes at June 30:

	<u>2021</u>	<u>2020</u>
Global developed equity funds	73.0%	72.5%
Emerging markets equity funds	12.0%	13.9%
Hedged equity	15.9%	17.0%
Cash and cash equivalents	(0.9%)	(3.4%)

#### Level 3 gains and losses

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets at June 30:

	<u>Receivables</u>
Balance at June 30, 2019	\$ 7,623,831
Net changes in fair value	(9,383)
Additional receivables	6,304,169
Payments on receivables	<u>(6,182,907)</u>
Balance at June 30, 2020	7,735,710
Net changes in fair value	759,191
Additional receivables	3,719,000
Payments on receivables	<u>(4,380,789)</u>
Balance at June 30, 2021	<u><u>\$ 7,833,112</u></u>

#### Unfunded commitments

The Foundation's non-marketable limited partnerships have unfunded commitments of \$3,790,800 as of June 30, 2021. Unfunded commitments are drawn down throughout the life of the investment based on the cash needs of each individual limited partnership. Limited partnerships with unfunded commitments have remaining lives of 1 to 10 years.

(Continued)

# COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 4. Contributions Receivable

Contributions receivable with donor restrictions from remainder trusts and estates consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Expected to be collected in:		
Less than one year	\$ 5,104,876	\$ 5,295,198
One to five years	<u>2,728,236</u>	<u>2,485,082</u>
Gross contributions receivable	7,833,112	7,780,280
Less:		
Actuarial present value of future payments from trusts	<u>-</u>	<u>(44,570)</u>
Total	<u>\$ 7,833,112</u>	<u>\$ 7,735,710</u>

### Note 5. Educational Loans Receivable

The Foundation has educational loans receivable, net of estimated uncollectible allowance at June 30, 2021 and 2020 of \$82,919 and \$219,343, respectively. These promissory notes are due from current and former students, have various interest rates and repayment terms, and are collectible through 2023.

### Note 6. Operating Leases

On April 10, 2010, the Foundation entered into a lease for its Roanoke office through December 31, 2023. The Foundation leases office space in Martinsville through June 30, 2022.

Total rental expense for these leases was \$105,649 for 2021 and 2020.

The future minimum lease payments for years ending June 30 are as follows:

2022	\$ 108,812
2023	89,544
2024	44,772
2025	-
2026	<u>-</u>
	<u>\$ 243,128</u>

### Note 7. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2021 and 2020 were \$47,598 and \$47,716, respectively.

(Continued)

## **COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

#### **Note 8. COVID-19 Outbreak**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (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 financial report. The Foundation does not believe that the impact of the pandemic on the Foundation’s financial condition, liquidity, and future results of operations will be significant, and Management will continue to monitor the situation.