

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**Fredericksburg, Virginia**

**FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Governors  
Community Foundation of the Rappahannock River Region, Inc.  
Fredericksburg, Virginia

### Opinion

We have audited the accompanying financial statements of the Community Foundation of the Rappahannock River Region, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

### **Report on Summarized Comparative Information**

We have previously audited the Community Foundation of the Rappahannock River Region, Inc.'s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Schulen, Patchett & Edwards P.C.*

November 18, 2021  
Warrenton, Virginia

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2021 and 2020

<b>ASSETS</b>		
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 374,452	\$ 467,115
Investments	45,850,876	23,777,629
Unconditional promises to give	21,137	48,223
Office furniture and equipment, net	<u>10,849</u>	<u>14,610</u>
<b>Total Assets</b>	<b><u>\$ 46,257,314</u></b>	<b><u>\$ 24,307,577</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 236	\$ 445
Agency funds	1,239,272	901,900
Payroll liabilities	108	348
Grants payable	107,000	97,334
Note payable, SBA	<u>72,725</u>	<u>69,100</u>
<b>Total Liabilities</b>	<b><u>1,419,341</u></b>	<b><u>1,069,127</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	44,742,311	23,119,362
With donor restrictions	<u>95,662</u>	<u>119,088</u>
<b>Total Net Assets</b>	<b><u>44,837,973</u></b>	<b><u>23,238,450</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 46,257,314</u></b>	<b><u>\$ 24,307,577</u></b>

See Notes to Financial Statements

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
<b>Revenues, Gains and Losses:</b>				
Contributions	\$ 15,907,249	\$ 10,000	\$ 15,917,249	\$ 2,340,291
Special events	-	-	-	209,418
Paycheck Protection Program loan forgiveness	69,100	-	69,100	-
	<u>15,976,349</u>	<u>10,000</u>	<u>15,986,349</u>	<u>2,549,709</u>
<b>Investment Income:</b>				
Interest and dividends	797,718	-	797,718	613,461
Net unrealized gains (losses)	5,701,656	-	5,701,656	(756,609)
Net realized gains (losses)	1,493,095	-	1,493,095	337,132
Total investment income	<u>7,992,469</u>	<u>-</u>	<u>7,992,469</u>	<u>193,984</u>
<b>Total revenues, gains and losses</b>	23,968,818	10,000	23,978,818	2,743,693
 Net assets released from restrictions	<u>33,426</u>	<u>(33,426)</u>	<u>-</u>	<u>-</u>
<b>Total revenues, gains, losses and reclassifications</b>	<u>24,002,244</u>	<u>(23,426)</u>	<u>23,978,818</u>	<u>2,743,693</u>
 <b>Grants and Other Expenses:</b>				
Grants and scholarships	1,799,999	-	1,799,999	2,075,612
Other program services	334,276	-	334,276	298,580
General and administrative	178,510	-	178,510	173,395
Fund-raising	66,510	-	66,510	111,666
	<u>2,379,295</u>	<u>-</u>	<u>2,379,295</u>	<u>2,659,253</u>
<b>Total grants and other expenses</b>	<u>2,379,295</u>	<u>-</u>	<u>2,379,295</u>	<u>2,659,253</u>
<b>Change in net assets</b>	21,622,949	(23,426)	21,599,523	84,440
<b>Net assets, beginning of year</b>	<u>23,119,362</u>	<u>119,088</u>	<u>23,238,450</u>	<u>23,154,010</u>
<b>Net assets, end of year</b>	<u>\$ 44,742,311</u>	<u>\$ 95,662</u>	<u>\$ 44,837,973</u>	<u>\$ 23,238,450</u>

See Notes to Financial Statements

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising &amp; Development</u>	<u>Totals 2021</u>	<u>Totals 2020</u>
Grants awarded	\$ 1,799,999	\$ -	\$ -	\$ 1,799,999	\$ 2,075,612
Annual report	3,900	-	-	3,900	4,667
Bank and credit card fees	-	4,428	-	4,428	4,925
Board expenses	142	241	20	403	2,719
Community Leadership Programs	23,730	-	-	23,730	-
Computer expenses	1,529	3,057	1,529	6,115	2,656
Depreciation	883	4,118	883	5,884	8,286
Donor appreciation	-	-	-	-	66
Donor development	-	-	2,617	2,617	4,042
Dues and subscriptions	1,412	1,694	928	4,034	2,273
Information technology	7,193	14,385	7,193	28,771	28,103
Insurance	-	1,146	-	1,146	3,571
Marketing	-	-	7,848	7,848	9,271
Newsletters	2,696	-	1,155	3,851	3,945
Occupancy	2,203	10,278	2,203	14,684	19,257
Office supplies and expenses	1,754	1,660	1,244	4,658	5,818
Payroll processing	-	1,734	-	1,734	1,739
Payroll, taxes, and benefits	267,271	114,655	28,323	410,249	375,214
Printing and copying	4,938	705	1,411	7,054	11,212
Postage and mailings	2,495	384	960	3,839	3,924
Professional advisor relations	-	-	-	-	110
Professional development	-	-	-	-	6,780
Professional fees	8,437	16,075	-	24,512	21,027
Scholarship program	1,402	-	-	1,402	298
Special events	-	-	9,417	9,417	53,192
Telephone and internet	2,805	1,403	567	4,775	4,374
Website management	1,486	2,547	212	4,245	4,135
Youth in Philanthropy	-	-	-	-	2,037
<b>Total expenses</b>	<b>\$ <u>2,134,275</u></b>	<b>\$ <u>178,510</u></b>	<b>\$ <u>66,510</u></b>	<b>\$ <u>2,379,295</u></b>	<b>\$ <u>2,659,253</u></b>

See Notes to Financial Statements

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 21,599,523	\$ 84,440
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated value of non-cash donations received	(13,714,449)	(913,590)
Discount on promises to give	341	1,375
Permanent restricted contribution received	(3,660)	(3,200)
Write-off of promise to give	3,650	1,500
Depreciation	5,884	8,286
Net realized (gains) losses on investments	(1,493,095)	(337,132)
Net unrealized (gains) losses on investments	(5,701,656)	756,609
Forgiveness of Paycheck Protection Program loan	(69,100)	-
Decrease (Increase) in Operating Assets:		
Unconditional promises to give	3,450	9,500
Increase (Decrease) in Operating Liabilities:		
Grants payable	9,666	(54,933)
Accounts payable	(209)	105
Agency funds	337,372	4,167
Payroll liabilities	(240)	(291)
	<u>977,477</u>	<u>(443,164)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(2,123)	(7,489)
Purchases of investments, advisory fees	(26,020,442)	(10,813,536)
Proceeds from sales of investments	24,876,040	11,402,755
	<u>(1,146,525)</u>	<u>581,730</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	72,725	69,100
Contribution permanently restricted for long-term purpose	3,660	3,200
	<u>76,385</u>	<u>72,300</u>
Net Cash Provided by (Used in) Financing Activities	<u>76,385</u>	<u>72,300</u>
Increase (Decrease) in Cash	(92,663)	210,866
<b>CASH, beginning of year</b>	<u>467,115</u>	<u>256,249</u>
<b>CASH, end of year</b>	\$ <u><u>374,452</u></u>	\$ <u><u>467,115</u></u>

See Notes to Financial Statements



# COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Organization**

Incorporated under the laws of Virginia in 1997, the Community Foundation of the Rappahannock River Region, Inc. (the Foundation) is a philanthropic organization established to create a collection of charitable funds to improve the quality of life in Fredericksburg and the surrounding Rappahannock River region. By attracting contributions and distributing funds, the Foundation matches the charitable intentions of donors with the community's social, cultural, and educational needs.

The Foundation is a non-profit Corporation organized under the laws of the Commonwealth of Virginia. It is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes on exempt income included in the accompanying financial statements. However, if there is an income tax provision due to unrelated business income, it is included in program expenses. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

#### **Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of Community Foundation of the Rappahannock River Region, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

##### **Financial Statement Presentation**

The Foundation 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. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor or time restrictions.

##### **Agency Obligations**

The Foundation accepts assets from unaffiliated nonprofit organizations that name themselves or their affiliates as the beneficiaries of the funds created. In accordance with generally accepted accounting principles, a liability has been established for the fair value of the funds and no contribution revenue was recognized for the period in which the agency funds are received.

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities. Investment income, gains, and losses are reported as increases or decreases in net assets without donor restrictions or net assets with donor restrictions based upon donor or time restrictions. Donated investments are recorded at their fair value on the date of the contribution.

#### **Support and Revenue Recognition**

The Foundation reports most contributions received as net assets without donor restrictions because the bylaws and fund agreements of the Foundation include a Variance Provision giving the Board of Governors the power to vary the use of funds. While the Foundation attempts to meet the desires of the donors or advisors, the Foundation reserves the right to modify any recommended distributions from funds if, in the sole judgment of the Foundation's Board, such distributions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or if a distribution requested by a donor would result in use of funds contrary to the intent originally understood. Based on the Variance Provision, almost all contributions received by the Foundation are reported as net assets without donor restrictions, except for assets related to unconditional promises to give (pledges), charitable remainder trusts, and receivables from estates, which are classified as net assets with donor restrictions due to the time restrictions on the assets. Occasionally, a contribution is received with a donor restriction for a particular program activity.

Charitable remainder trusts and receivables from estates are reported as net assets with donor restrictions until collected. When a time restriction or purpose restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received.

#### **Cash and Cash Equivalents**

The Foundation considers cash in demand deposits, money market accounts and other highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies. Thus, cash in operating accounts is included in the statement of financial position as cash and other cash and equivalents are included in investments. The balances in these accounts at times may exceed federally insured limits. However, the Foundation maintains their cash in high quality financial institutions in the United States.

# COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Furniture and Equipment and Depreciation**

The Foundation capitalized all acquisitions of property and equipment in excess of \$500. Equipment and software are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over a period of 3 to 7 years. Depreciation expense was \$5,884 and \$8,286 for 2021 and 2020, respectively.

#### **Promises to Give (Pledges)**

Unconditional promises to give are recognized as receivables in the period in which the Foundation receives a commitment to make a contribution. Promises to give that are due in subsequent years are reported as net assets with donor restrictions.

#### **Contributed Services**

Many individuals volunteer their time by assisting with committee assignments and campaign solicitations, but these services do not meet the criteria for recognition as contributed services.

#### **Grants Payable**

Grants are recorded as expenses in the year they are approved by the Board when the probability of not meeting any conditions is remote.

#### **Functional Allocation of Expenses**

The costs of providing support to local charities and non-profits have been summarized on a functional basis in the statement of functional expenses. Management allocates costs directly when possible. Certain other costs have been allocated among the program services and supporting services on the basis of the activity benefited based on management's estimate of time and effort.

#### **Prior Year Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2020, from which the summarized information was derived.

# COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting standards establish a framework for measuring fair value. That framework provides 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 - The asset or liability fair values are based on inputs to the valuation methodology which are unadjusted quoted prices for identical assets or liabilities in active markets such as the NYSE.

Level 2 - The asset or liability fair values are based on observable inputs to the valuation methodology that include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; other inputs that are observable and can be corroborated by observable market data for substantially the full term of the asset or liability by correlation or other means.

Level 3 - The asset or liability fair values are based on other valuation methodologies including pricing models, discounted cash flows models, or similar techniques rather than observable market exchange, broker, or dealer transactions. Thus, these values may require assumptions and estimates.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Equity securities and mutual funds:* Valued at closing prices reported on the active market on which the individual securities are traded.

*Government bonds, corporate bonds, and bond index funds:* Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

*REITs:* Valued at the net asset value of shares held at year-end as shown on broker statements.

*Interests in Trusts:* Valued using the present value of discounted cash flows as described in the note on trusts.

*Promises to Give (Pledges):* Valued using management's estimates of amounts to be collected discounted to present value.

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.

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. INVESTMENTS AND FAIR VALUE 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>
Investment cash and money market accounts	\$ 1,717,562	\$	\$	\$ 1,717,562
Marketable equity securities:				
Consumer cyclical	2,001,976			2,001,976
Consumer defensive	1,006,313			1,006,313
Consumer Staples	22,248			22,248
Consumer discretionary	47,111			47,111
Energy	1,112,468			1,112,468
Financials	2,534,301			2,534,301
Healthcare	1,831,274			1,831,274
Industrials	2,561,864			2,561,864
Information technology	721,763			721,763
Materials	845,676			845,676
Real estate	164,323			164,323
Technology	2,808,331			2,808,331
Telecommunication services	1,238,232			1,238,232
Utilities	398,234			398,234
Marketable equity mutual funds:				
Domestic mutual funds	6,232,200			6,232,200
Domestic growth real estate	818,072			818,072
International large & small cap	3,819,374			3,819,374
Global growth real estate	336,439			336,439
Large cap growth & value	5,338,422			5,338,422
Natural resources	639,340			639,340
Small cap growth & value	2,564,285			2,564,285
Treasury inflation protected	606,164			606,164
Bond funds	1,214,731			1,214,731
Real estate investment trusts	405,400			405,400
Exchange Traded Funds	422,387			422,387
Marketable debt securities:				
Corporate bonds		4,442,386		4,442,386
Promises to give (pledges)			21,137	21,137
Totals	<u>\$ 41,408,490</u>	<u>\$ 4,442,386</u>	<u>\$ 21,137</u>	<u>\$ 45,872,013</u>

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. INVESTMENTS AND FAIR VALUE 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment cash and money market accounts	\$ 1,078,810	\$	\$	\$ 1,078,810
Marketable equity securities:				
Consumer cyclical	626,094			626,094
Consumer defensive	336,946			336,946
Consumer Staples	199,499			199,499
Consumer discretionary	293,965			293,965
Currency	17,521			17,521
Energy	556,254			556,254
Financials	1,079,167			1,079,167
Healthcare	1,100,054			1,100,054
Industrials	832,927			832,927
Information technology	432,703			432,703
Materials	320,585			320,585
Real estate	120,535			120,535
Technology	1,378,642			1,378,642
Telecommunication services	829,670			829,670
Utilities	159,368			159,368
Marketable equity mutual funds:				
Domestic mutual funds	2,144,538			2,144,538
Domestic growth real estate	411,630			411,630
International large & small cap	1,985,576			1,985,576
Global growth real estate	172,027			172,027
Large cap growth & value	3,219,965			3,219,965
Natural resources	430,084			430,084
Small cap growth & value	1,587,792			1,587,792
Treasury inflation protected	338,304			338,304
Bond funds	1,078,546			1,078,546
Real estate investment trusts	133,829			133,829
Exchange Traded Funds	438,637			438,637
Marketable debt securities:				
Corporate bonds		1,332,044		1,332,044
Mortgage backed securities		438,017		438,017
US Treasury		703,900		703,900
Promises to give (pledges)			48,223	48,223
Totals	<u>\$ 21,303,668</u>	<u>\$ 2,473,961</u>	<u>\$ 48,223</u>	<u>\$ 23,825,852</u>

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Level 3 Asset Changes:

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 48,223	\$ 77,688
Pledge discounts	341	1,375
New promises to give	9,000	40,001
Collections of promises to give	(32,777)	(69,341)
Write-off of promises to give	(3,650)	(1,500)
Balance, end of year	<u>\$ 21,137</u>	<u>\$ 48,223</u>

Investment management fees for the years ended June 30, 2021 and 2020 were \$185,060 and \$150,718, respectively, which are deducted from realized gains and losses on the statements of activities. Investment management fees include foreign taxes paid of \$10,022 and \$5,281 for the years ended June 30, 2021 and 2020, respectively.

**Note 3. PROMISES TO GIVE (PLEDGES)**

The Foundation has received unconditional promises to give at June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 11,650	\$ 29,076
Due in one to five years	<u>9,637</u>	<u>19,638</u>
	21,287	48,714
Less discount to present value	<u>150</u>	<u>491</u>
Total	<u>\$ 21,137</u>	<u>\$ 48,223</u>

The effective rate for pledge discounts is 4% for the years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, all promises to give were considered fully collectible by the Foundation; therefore, no provision for uncollectible pledges has been made.

**Note 4. FURNITURE AND EQUIPMENT**

The following is a summary of furniture and equipment as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 44,027	\$ 41,904
Software	14,548	14,548
Website costs	<u>27,500</u>	<u>27,500</u>
	86,075	83,952
Less accumulated depreciation	<u>75,226</u>	<u>69,342</u>
Total	<u>\$ 10,849</u>	<u>\$ 14,610</u>

## COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **Note 5. NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM**

In April 2020, the Foundation borrowed \$69,100 from a bank under the Small Business Administration's Paycheck Protection Program. The program was established in response to the pandemic declared in March 2020 and is designed to assist small businesses and non-profits with payroll, rent, and utilities during the uncertain times expected as a result of the pandemic. Under the Paycheck Protection Program, a borrower may have the loan forgiven if the proceeds are used as prescribed by the terms of the program. The Foundation used the entire loan for eligible expenses and the loan was forgiven in July 2021 and reported in the statement of activities.

In April 2021, the Foundation received a second Paycheck Protection Program loan in the amount of \$72,725. As with the first Paycheck Protection Program loan, a borrower may have the loan forgiven if the proceeds are used as prescribed by the terms of the program. At this time, the Foundation has applied for loan forgiveness and is expecting the total loan to be forgiven. The loan is unsecured, carries an interest rate of 1.0%, and is due in forty-eight monthly installments of \$1,562 beginning in May 2022 with the final payment being due in April 2026. Currently, the aggregate maturities of this loan for the years ended June 30 are: 2022, \$3,005; 2023, \$18,134; 2024, \$18,317; 2025, \$18,501; 2026, \$14,768.

#### **Note 6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with temporary donor restrictions resulting from the implied time restriction related to unconditional promises to give (pledges) of \$21,137 and \$48,223 as of June 30, 2021 and 2020, respectively.

Net assets with permanent donor restrictions of \$74,525 and \$70,865 as of June 30, 2021 and 2020, respectively, represent the historic gift amounts of three funds accepted with the donors' stipulation that the principal be held in perpetuity. The income from these net assets is expendable.

Net assets released from donor restrictions as a result of the expiration of time restrictions in the amounts of \$33,426 and \$33,089 for the years ended June 30, 2021 and 2020, respectively.

#### **Note 7. CONCENTRATION OF CONTRIBUTIONS**

During 2021, the Foundation received a major donation from one donor totaling \$13.5 million. During 2020, approximately 50 percent of contributions received were provided by six donors.

#### **Note 8. CONCENTRATION OF CREDIT AND MARKET RISK**

As of June 30, 2021, the Foundation had cash in the amount of \$230,280 that exceeded the FDIC insured limitation. The Foundation has not experienced any losses in such accounts and believes that it is not subject to any significant credit risk as a result of this excess. The Foundation does not require collateral or other security to support its credit risk.

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of market risk. The Foundation's investments are managed by investment advisors who are supervised by the Board of Governors. Though the market value of investments is subject to fluctuations, the Board believes that the Foundation's investment portfolio is adequately diversified among issuers, industries, and geographic regions to be prudent for the long-term welfare of the Foundation.



## COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 9. RETIREMENT PLAN

The Foundation offers a SIMPLE IRA plan for employees. The Foundation's contributions to the plan during 2021 and 2020 were \$9,668 and \$8,705, respectively.

#### Note 10. CASH FLOW INFORMATION

The Foundation presents its cash flows using the indirect method. Non-cash financing activities for the year ended June 30, 2021 consists of the forgiveness of the Small Business Administration's Paycheck Protection Program loan in the amount of \$69,100.

Non-cash investing activities for the years ended June 30, 2021 and 2020, consists of pledge payments with securities in the amounts of \$20,326 and \$19,839, respectively.

#### Note 11. OPERATING LEASE COMMITMENT

The Foundation has a one year operating lease for its office space. The lease automatically renews annually and includes an annual 3% rent increase. Rent expense for the years ending June 30, 2021 and 2020 was \$14,684 and \$19,257, respectively.

#### Note 12. INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAX POSITIONS

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation adopted the provisions of accounting standards regarding uncertainty in income tax positions, however, management does not believe it is exposed to any such positions as they are defined in the accounting standards. The Foundation files IRS Form 990, *Return of Organization Exempt From Income Tax* annually and IRS Form 990-T, *Exempt Organization Business Income Tax Return*, when necessary. Such tax returns for 2018, 2019, and 2020 remain open to potential examination by the IRS. There were no penalty and interest charges in the year ended June 30, 2021.

#### Note 13. ENDOWED NET ASSETS

Endowment is a commonly used term to refer to resources that have been restricted by the donor or designated by the Board (quasi-endowment) that will be invested to provide future revenue to support the Foundation's activities.

The Foundation's endowment consists of donor advised, scholarship, field of interest, designated, and unrestricted funds established for a variety of purposes. The endowment does not include organizational (agency) funds or pass through funds (non-endowed funds), which, under the terms of the fund agreement can have part or all of the fund's principal distributed. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 13. ENDOWED NET ASSETS (continued)**

In accordance with Uniform Prudent Management of Institutional Funds Acts as adopted by the Commonwealth of Virginia (UPMIFA-VA), the Foundation considers the following in making a determination to appropriate or accumulate board-designated endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

The endowment net assets include net assets without donor restrictions and with donor restrictions. Given the variance power included in fund agreements, all but three of the funds are considered to be without donor restrictions. Changes in the endowment funds during the fiscal years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning	\$ 14,370,348	\$ 14,397,112
Investment return:		
Interest and dividend income	540,899	392,767
Net appreciation(depreciation) in fair value of investments	3,871,662	(465,301)
Realized gains/(losses)	<u>977,631</u>	<u>208,325</u>
Total investment return	<u>5,390,192</u>	<u>135,791</u>
Contributions	<u>13,816,889</u>	<u>522,481</u>
Appropriation of endowment assets for expenditure	<u>(754,125)</u>	<u>(685,036)</u>
Endowment net assets, ending	<u>\$ 32,823,304</u>	<u>\$ 14,370,348</u>

*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 purchasing power of the endowment assets.

Endowment assets include board-designated funds. Under this policy, as approved by the Investment Committee, the endowment assets are invested in a manner that is intended to have growth of funds and ensure preservation of capital. Investments are sufficiently liquid to enable the Foundation to meet all reasonable anticipated operating requirements, and return objectives are set based on a standard market rate of return, taking into account the cash flow characteristics of the investments.

COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 13. ENDOWED NET ASSETS (continued)**

*Investment Objectives:* The primary long-term objective of the Foundation is to accrue investment returns that exceed the annualized rate of inflation by approximately 5% over the long-term. The Foundation seeks long-term principal growth while preserving capital by means of minimizing the risk of substantial loss in asset value through investment in a diversified portfolio of quality investment securities. The primary investment goals are:

- Growth of the funds
- Preservation of principal
- Current distribution of 4%

*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 the Investment Objectives Relate to Spending Policy:* The Foundation's current spending policy regarding endowment income is based on a recommendation from the Foundation's Investment Committee to the Board and is revisited on an annual basis. The Investment Committee will examine the endowment funds' earnings and establish an earnings spending plan for the upcoming fiscal year based on anticipated investment earnings. Spending may be taken from current income or, if current income is less than planned spending, from prior periods' retained earnings. The target annual distribution rate, not including administrative fees, is currently estimated at 4% of the twelve quarter moving average market value of each fund. Distributions for Foundation administrative fees is approximately 1% annually depending on the fund type in accordance with the Foundation's fee policy. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**Note 14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation's financial assets as of June 30, 2021 available for general expenditures that include management expenses, fundraising expenses, and some program expenses are:

Cash and cash equivalents	\$ <u>330,694</u>
Total financial assets and liquidity resources available within one year	\$ <u>330,694</u>

In addition to these funds available for general expenditures, the Foundation charges an administrative fee to all funds based on the funds' average rolling quarterly balance to cover general expenditures. Estimated administrative fees available for general expenditures for the 2021 – 2022 fiscal year are \$380,000. The Foundation also has an operating endowment fund, which will provide approximately \$12,500 of distributions available for general expenditures for the 2021 – 2022 fiscal year.

As part of the Foundation's liquidity management, cash in excess of the daily requirements is maintained in a money market account.

**COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 15. RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which could have a financial impact. The extent of the impact of COVID-19 on the Foundation's operations and financial performance will depend on certain developments that include the spread and duration of the virus, as well as, the impact on the Foundations donors, employees, and others associated with the organization, all of which is unknown at this time and cannot be reasonably predicted.

**Note 16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 18, 2021, which was the date the financial statements were available to be issued.