

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

**Fredericksburg, Virginia**

**FINANCIAL STATEMENTS**

**June 30, 2024 and 2023**

## **C O N T E N T S**

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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, 2024, 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, 2024, 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 18, 2024  
Warrenton, Virginia



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

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2024 and 2023

<b>ASSETS</b>		<b>2024</b>	<b>2023</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$	484,087	\$ 450,352
Investments, at fair value		55,560,272	50,394,718
Unconditional promises to give		5,537	10,005
Furniture and equipment, net		<u>23,469</u>	<u>15,479</u>
<b>Total Assets</b>	\$	<u><u>56,073,365</u></u>	\$ <u><u>50,870,554</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	3,012	\$ 642
Agency funds		1,774,234	1,494,392
Payroll liabilities		193	-
Grants payable		<u>132,003</u>	<u>97,292</u>
<b>Total Liabilities</b>		<u>1,909,442</u>	<u>1,592,326</u>
<b>NET ASSETS</b>			
Without donor restrictions		53,999,414	49,153,515
With donor restrictions		<u>164,509</u>	<u>124,713</u>
<b>Total Net Assets</b>		<u>54,163,923</u>	<u>49,278,228</u>
<b>Total Liabilities and Net Assets</b>	\$	<u><u>56,073,365</u></u>	\$ <u><u>50,870,554</u></u>

See Notes to Financial Statements

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

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2024

(with comparative totals for the year ended June 30, 2023)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>	
			<b>2024</b>	<b>2023</b>
<b>Revenues, Gains and Losses:</b>				
Contributions	\$ 2,123,454	\$ 63,545	\$ 2,186,999	\$ 2,526,901
Special events	<u>188,614</u>	<u>-</u>	<u>188,614</u>	<u>141,586</u>
	2,312,068	63,545	2,375,613	2,668,487
<b>Investment Income:</b>				
Interest and dividends	1,471,863	-	1,471,863	1,251,483
Net unrealized gains (losses)	3,498,655	-	3,498,655	4,869,002
Net realized gains (losses)	<u>895,032</u>	<u>-</u>	<u>895,032</u>	<u>(1,066,677)</u>
Total investment income	<u>5,865,550</u>	<u>-</u>	<u>5,865,550</u>	<u>5,053,808</u>
<b>Total revenues, gains and losses</b>	<b>8,177,618</b>	<b>63,545</b>	<b>8,241,163</b>	<b>7,722,295</b>
 Net assets released from restrictions	 <u>23,749</u>	 <u>(23,749)</u>	 <u>-</u>	 <u>-</u>
<b>Total revenues, gains, losses and reclassifications</b>	<b><u>8,201,367</u></b>	<b><u>39,796</u></b>	<b><u>8,241,163</u></b>	<b><u>7,722,295</u></b>
 <b>Grants and Other Expenses:</b>				
Grants and scholarships	2,452,239	-	2,452,239	2,148,977
Other program services	504,423	-	504,423	409,233
General and administrative	254,455	-	254,455	224,565
Fund-raising	<u>144,351</u>	<u>-</u>	<u>144,351</u>	<u>129,746</u>
<b>Total grants and other expenses</b>	<b><u>3,355,468</u></b>	<b><u>-</u></b>	<b><u>3,355,468</u></b>	<b><u>2,912,521</u></b>
<b>Change in net assets</b>	<b>4,845,899</b>	<b>39,796</b>	<b>4,885,695</b>	<b>4,809,774</b>
<b>Net assets, beginning of year</b>	<b><u>49,153,515</u></b>	<b><u>124,713</u></b>	<b><u>49,278,228</u></b>	<b><u>44,468,454</u></b>
<b>Net assets, end of year</b>	<b>\$ <u>53,999,414</u></b>	<b>\$ <u>164,509</u></b>	<b>\$ <u>54,163,923</u></b>	<b>\$ <u>49,278,228</u></b>

See Notes to Financial Statements

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

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2024

(with comparative totals for the year ended June 30, 2023)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising &amp; Development</u>	<u>Totals 2024</u>	<u>Totals 2023</u>
Grants awarded	\$ 2,452,239	\$ -	\$ -	\$ 2,452,239	\$ 2,148,977
Annual report	4,732	-	-	4,732	4,000
Bank and credit card fees	-	6,341	-	6,341	3,704
Board expenses	617	1,057	88	1,762	2,897
Community Leadership Programs	41,835	-	-	41,835	10,975
Computer expenses	1,231	2,461	1,231	4,923	5,255
Contract services	-	5,551	-	5,551	9,584
Depreciation	1,051	4,908	1,051	7,010	4,168
Donor development/appreciation	-	-	6,680	6,680	6,031
Dues and subscriptions	3,123	3,747	2,052	8,922	4,834
Information technology	12,189	24,379	12,189	48,757	44,301
Insurance	-	4,099	-	4,099	3,941
Marketing	2,792	-	5,416	8,208	16,240
Newsletters	3,788	-	1,624	5,412	4,714
Occupancy	3,158	14,734	3,158	21,050	20,579
Office supplies and expenses	2,778	1,906	1,452	6,136	8,254
Payroll processing	-	1,862	-	1,862	1,945
Payroll, taxes, and benefits	387,566	159,851	43,308	590,725	494,750
Printing and copying	4,426	632	1,265	6,323	5,981
Postage and mailings	2,635	405	1,013	4,053	2,753
Professional development	3,405	-	-	3,405	4,832
Professional fees	13,452	20,610	-	34,062	30,180
Scholarship program	6,307	-	-	6,307	8,337
Special events	4,456	-	63,300	67,756	58,857
Telephone and internet	2,109	1,055	452	3,616	3,178
Website management	500	857	72	1,429	1,520
Youth in Philanthropy	2,273	-	-	2,273	1,734
Total expenses	<u>\$ 2,956,662</u>	<u>\$ 254,455</u>	<u>\$ 144,351</u>	<u>\$ 3,355,468</u>	<u>\$ 2,912,521</u>

See Notes to Financial Statements

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

**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,885,695	\$ 4,809,774
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated value of non-cash donations received	(551,951)	(701,607)
Discount on promises to give	94	28
Permanent restricted contributions received	(21,200)	(18,100)
Write-off of promise to give	1,250	7,075
Depreciation	7,010	4,168
Net realized (gains) losses on investments	(895,032)	1,066,677
Net unrealized (gains) losses on investments	(3,498,655)	(4,869,002)
Decrease (Increase) in Operating Assets:		
Unconditional promises to give	7,312	1,175
Increase (Decrease) in Operating Liabilities:		
Grants payable	34,711	34,792
Accounts payable	<u>2,370</u>	<u>(316)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(28,396)</u>	<u>334,664</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(15,000)	(15,903)
Proceeds from sales of investments	17,000,205	10,512,307
Purchases of investments	<u>(17,089,280)</u>	<u>(11,159,890)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(104,075)</u>	<u>(663,486)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in agency obligations	145,006	325,963
Contribution permanently restricted for long-term purpose	<u>21,200</u>	<u>18,100</u>
Net Cash Provided by (Used in) Financing Activities	<u>166,206</u>	<u>344,063</u>
Increase (Decrease) in Cash	33,735	15,241
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>450,352</u>	<u>435,111</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>484,087</u></u>	\$ <u><u>450,352</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 Funds**

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 statement 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 capitalizes all acquisitions of furniture and equipment in excess of \$2,500. Furniture and equipment 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 \$7,010 and \$4,168 for 2024 and 2023, 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, 2023, 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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment cash and money				
market accounts	\$ 1,456,401	\$	\$	\$ 1,456,401
Certificates of deposit	254,833			254,833
Marketable equity securities:				
Basic materials	655,366			655,366
Communication services	1,223,210			1,223,210
Consumer cyclical	1,649,679			1,649,679
Consumer defensive	963,935			963,935
Energy	554,099			554,099
Financial services	2,769,619			2,769,619
Healthcare	2,543,967			2,543,967
Industrials	2,030,852			2,030,852
Real estate	613,864			613,864
Technology	3,820,676			3,820,676
Utilities	510,156			510,156
Marketable mutual funds:				
Domestic real estate	1,087,279			1,087,279
Emerging markets	219,688			219,688
Energy	900,988			900,988
International large & small cap	5,338,088			5,338,088
Global real estate	460,661			460,661
Large cap growth & value	6,416,512			6,416,512
Mid cap	999,311			999,311
Natural resources	883,992			883,992
Small cap growth & value	2,288,235			2,288,235
Treasury inflation protected	872,922			872,922
Marketable bond funds	5,154,859			5,154,859
Alternative investments	111,197			111,197
Exchange Traded Funds				
Corporate bond	1,282,120			1,282,120
US Treasury	126,617			126,617
International small cap	1,006,970			1,006,970
Premium income	90,745			90,745
Large cap growth	811,355			811,355
Large cap value	1,203,274			1,203,274
Small cap equity	649,164			649,164
Small cap value	925,999			925,999
Marketable debt securities:				
US Treasury		393,800		393,800
Corporate bonds		5,289,839		5,289,839
Promises to give (pledges)			5,537	5,537
Totals	\$ <u>49,876,633</u>	\$ <u>5,683,639</u>	\$ <u>5,537</u>	\$ <u>55,565,809</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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment cash and money market accounts	\$ 1,277,104	\$	\$	\$ 1,277,104
Certificate of deposit	99,971			99,971
Marketable equity securities:				
Basic materials	752,747			752,747
Communication services	1,209,083			1,209,083
Consumer cyclical	1,752,863			1,752,863
Consumer defensive	929,366			929,366
Consumer discretionary	133,525			133,525
Energy	642,025			642,025
Financial services	2,924,021			2,924,021
Healthcare	2,599,341			2,599,341
Industrials	2,406,543			2,406,543
Real estate	475,304			475,304
Technology	3,287,766			3,287,766
Utilities	541,540			541,540
Marketable mutual funds:				
Domestic real estate	967,445			967,445
Emerging markets	204,470			204,470
Energy	719,080			719,080
International large & small cap	4,710,786			4,710,786
Global real estate	398,372			398,372
Large cap growth & value	6,852,185			6,852,185
Mid cap	1,009,290			1,009,290
Natural resources	729,799			729,799
Small cap growth & value	2,446,018			2,446,018
Treasury inflation protected	747,609			747,609
Marketable bond funds	4,485,971			4,485,971
Alternative investments	184,320			184,320
Exchange Traded Funds				
Corporate bond	1,213,995			1,213,995
Government bond	83,114			83,114
International small cap	843,603			843,603
Premium income	85,983			85,983
Large cap value	1,015,942			1,015,942
Small cap value	791,392			791,392
Marketable debt securities:				
US Treasury		357,566		357,566
Corporate bonds		3,516,579		3,516,579
Promises to give (pledges)			10,005	10,005
Totals	<u>\$ 46,520,573</u>	<u>\$ 3,874,145</u>	<u>\$ 10,005</u>	<u>\$ 50,404,723</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 10,005	\$ 18,227
Pledge discounts	94	28
New promises to give	4,000	6,000
Collections of promises to give	(7,312)	(7,175)
Write-off of promises to give	(1,250)	(7,075)
Balance, end of year	\$ <u>5,537</u>	\$ <u>10,005</u>

Investment management fees for the years ended June 30, 2024 and 2023 were \$258,676 and \$246,465, respectively, which are deducted from realized gains and losses on the statements of activities. Investment management fees include foreign taxes paid of \$13,071 and \$18,345 for the years ended June 30, 2024 and 2023, respectively.

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

The Foundation has received unconditional promises to give at June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 3,250	\$ 6,063
Due in one to five years	<u>2,400</u>	<u>4,150</u>
	5,650	10,213
Less discount to present value	<u>113</u>	<u>208</u>
Total	\$ <u>5,537</u>	\$ <u>10,005</u>

The effective rate for pledge discounts is 4% for the years ended June 30, 2024 and 2023. At June 30, 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 25,054	\$ 25,054
Software	30,300	15,300
Website costs	<u>15,000</u>	<u>15,000</u>
	70,354	55,354
Less accumulated depreciation	<u>46,885</u>	<u>39,875</u>
Total	\$ <u>23,469</u>	\$ <u>15,479</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 5. NET ASSETS WITH DONOR RESTRICTIONS**

For the year ended June 30, 2024, there were net assets with temporary donor restrictions resulting from the implied time restriction related to unconditional promises to give (pledges) of \$5,537, for a software consultant of \$4,947, and for expenses related to hiring a new executive director of \$40,000, totaling \$50,484.

For the year ended June 30, 2023, there were net assets with temporary donor restrictions resulting from the implied time restriction related to unconditional promises to give (pledges) of \$10,005, for a software consultant of \$5,416, and for copy machine purchase and installation costs of \$16,467, totaling \$31,888.

Net assets with permanent donor restrictions of \$114,025 and \$92,825 as of June 30, 2024 and 2023, 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.

For the year ended June 30, 2024, net assets released from donor restrictions as a result of the expiration of time restrictions was \$6,813, use for software consultant was \$469, and use for the copier was \$16,467. For the year ended June 30, 2023, net assets released from donor restrictions as a result of the expiration of time restrictions was \$12,250, use for software consultant was \$9,584, use for the fall event sponsorship was \$32,000, and use for the copier was \$13,392.

### **Note 6. CONCENTRATION OF CONTRIBUTIONS**

During 2024, approximately 45 percent of contributions received were provided by seven donors. During 2023, approximately 48 percent of contributions received were provided by seven donors.

### **Note 7. CONCENTRATION OF CREDIT AND MARKET RISK**

As of June 30, 2024, the Foundation had cash in the amount of \$247,824 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 overseen 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.

### **Note 8. RETIREMENT PLAN**

The Foundation offers a SIMPLE IRA plan for employees. The Foundation's contributions to the plan during 2024 and 2023 were \$8,975 and \$9,918, respectively.



# COMMUNITY FOUNDATION OF THE RAPPAHANNOCK RIVER REGION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. CASH FLOW INFORMATION

The Foundation presents its cash flows using the indirect method. Purchases of investments are net of advisory fees.

### Note 10. OPERATING LEASE

The Foundation has a one-year operating lease for its office space. The lease automatically renews annually and includes an annual rent increase of 3% on the base rent. Rent expense for the years ending June 30, 2024 and 2023 was \$21,050 and \$20,579, respectively.

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

### Note 11. 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 2021, 2022, and 2023 remain open to potential examination by the IRS. There were no penalty and interest charges in the year ended June 30, 2024.

### Note 12. 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 12. 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, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning	\$ 32,091,552	\$ 28,883,799
Investment return:		
Interest and dividend income	960,049	825,107
Net appreciation (depreciation) in fair value of investments	2,378,703	3,254,177
Realized gains (losses)	<u>685,623</u>	<u>(734,149)</u>
Total investment return	<u>4,024,375</u>	<u>3,345,135</u>
Contributions	<u>637,933</u>	<u>1,310,068</u>
Appropriation of endowment assets for expenditure	<u>(1,568,451)</u>	<u>(1,447,450)</u>
Endowment net assets, ending	<u>\$ 35,185,409</u>	<u>\$ 32,091,552</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 12. 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 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets as of June 30, 2024 available for general expenditures that include management expenses, fundraising expenses, and some program expenses are:

Cash and cash equivalents	\$ 409,415
Investments, at fair value	<u>204,890</u>
	614,305
Less funds unavailable for general expenditures within one year due to:	
Donor restrictions for specific purposes	44,947
Financial assets and liquidity resources available to meet the cash needs for general expenditures within one year	<u>\$ 569,358</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 2024 – 2025

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

fiscal year are \$486,500. The Foundation also has an operating endowment fund, which will provide \$13,520 of distributions available for general expenditures for the 2024 – 2025 fiscal year.

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

**Note 14. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 18, 2024, which was the date the financial statements were available to be issued.