



**Community
Foundation**
of the
Dan River Region

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CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Community Foundation of the Dan River Region
Danville, Virginia

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of the Dan River Region as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Community Foundation of the Dan River Region's June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 14, 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 consolidated audited financial statements from which it has been derived.

Harris Harvey Neal & Co. LLP

Danville, Virginia
September 27, 2021

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021 With Comparative Totals for 2020

See Independent Auditors' Report

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,821,756	\$ 2,121,391
Prepaid expenses	12,236	11,544
Dividends and interest receivable	<u>22,547</u>	<u>20,047</u>
Total current assets	<u>2,856,539</u>	<u>2,152,982</u>
INVESTMENTS	48,012,870	36,726,946
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	645,586	660,626
INSURANCE LEGACIES	<u>14,985</u>	<u>14,057</u>
Total assets	<u>\$ 51,529,980</u>	<u>\$ 39,554,611</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 5,000</u>	<u>\$ -</u>
Total current liabilities	<u>5,000</u>	<u>-</u>
DEFERRED REVENUE - Net of current portion		
NON-CURRENT LIABILITIES		
Funds held as agency endowments	<u>\$ 593,975</u>	<u>\$ 402,134</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions		
Donor advisory endowment funds	7,500,474	5,816,579
Donor designated endowment funds	26,083,443	19,676,522
Board designated endowment funds	<u>1,563,417</u>	<u>1,227,769</u>
	35,147,334	26,720,870
Undesignated	<u>15,553,410</u>	<u>12,151,588</u>
Total without donor restrictions	<u>50,700,744</u>	<u>38,872,458</u>
With donor restrictions	<u>230,261</u>	<u>280,019</u>
Total net assets	<u>50,931,005</u>	<u>39,152,477</u>
Total liabilities and net assets	<u>\$ 51,529,980</u>	<u>\$ 39,554,611</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF ACTIVITIES
 Year Ended June 30, 2021 With Comparative Totals for 2020
 See Independent Auditors' Report

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 824,977	\$ 340,559	\$ 1,165,536	\$ 3,167,427
Investment income	592,633	-	592,633	630,789
Other income	12,954	-	12,954	10,148
Net realized and unrealized gain (loss) on investments	<u>11,760,140</u>	<u>-</u>	<u>11,760,140</u>	<u>(199,652)</u>
Total revenues, gains, and losses	<u>13,190,704</u>	<u>340,559</u>	<u>13,531,263</u>	<u>3,608,712</u>
Net assets released from restrictions	<u>390,317</u>	<u>(390,317)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, losses, and other support	<u>13,581,021</u>	<u>(49,758)</u>	<u>13,531,263</u>	<u>3,608,712</u>
EXPENSES				
Program expenses				
Community grants	1,414,214	-	1,414,214	1,698,753
Program related expenses	<u>160,025</u>	<u>-</u>	<u>160,025</u>	<u>162,799</u>
Total program expenses	<u>1,574,239</u>	<u>-</u>	<u>1,574,239</u>	<u>1,861,552</u>
Support services expenses				
Management and general	141,610	-	141,610	146,655
Fundraising	<u>36,886</u>	<u>-</u>	<u>36,886</u>	<u>45,528</u>
Total support expenses	<u>178,496</u>	<u>-</u>	<u>178,496</u>	<u>192,183</u>
Total expenses	<u>1,752,735</u>	<u>-</u>	<u>1,752,735</u>	<u>2,053,735</u>
Change in net assets	11,828,286	(49,758)	11,778,528	1,554,977
Net assets, beginning	<u>38,872,458</u>	<u>280,019</u>	<u>39,152,477</u>	<u>37,597,500</u>
Net assets, ending	<u>\$ 50,700,744</u>	<u>\$ 230,261</u>	<u>\$50,931,005</u>	<u>\$39,152,477</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021 With Comparative Totals for 2020

See Independent Auditors' Report

	2021				2020	
	Program Services		Management and General	Fundraising	Total	Total
Community Grants	Program Related Expenses					
Salaries and wages	\$ -	\$ 88,535	\$ 48,847	\$ 15,265	\$ 152,647	\$ 157,171
Payroll taxes	-	7,241	3,995	1,249	12,485	12,898
Employee benefits	-	7,726	4,263	1,332	13,321	17,240
Grants	1,414,214	-	-	-	1,414,214	1,698,753
Promotion	-	-	-	19,040	19,040	26,877
Depreciation	-	-	15,040	-	15,040	17,336
Utilities	-	-	3,851	-	3,851	3,758
Office supplies	-	-	3,141	-	3,141	3,028
Telephone/fax/internet	-	-	3,638	-	3,638	3,610
Postage/shipping	-	-	2,715	-	2,715	2,152
Web hosting and software	-	33,583	11,194	-	44,777	41,351
Marketing and advertising	-	-	-	-	-	236
Maintenance	-	-	8,146	-	8,146	11,960
Meeting, travel and conferences	-	-	2,367	-	2,367	1,636
Subscriptions/memberships	-	-	4,780	-	4,780	2,337
Insurance	-	-	6,693	-	6,693	5,532
Professional fees	-	22,940	22,940	-	45,880	47,860
Total expenses	\$ 1,414,214	\$160,025	\$ 141,610	\$ 36,886	\$ 1,752,735	\$ 2,053,735

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF CASH FLOWS
 Year Ended June 30, 2021 With Comparative Totals for 2020
 See Independent Auditors' Report

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,778,528	\$ 1,554,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,040	17,336
Loss on disposal of assets	-	305
Net realized and unrealized (gains) losses on investments	(11,760,140)	199,652
Change in operating assets and liabilities:		
(Increase) in prepaid expenses	(692)	(1,457)
(Increase) in dividends and interest receivable	(2,500)	(740)
(Increase) in insurance legacies	(928)	(881)
Increase in accounts payable	5,000	-
Increase in agency endowments	191,841	127,581
Net cash provided by operating activities	<u>226,149</u>	<u>1,896,773</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of designated investments	(288,873)	(2,615,332)
Purchase of property and equipment	-	(5,306)
Net cash (used in) investing activities	<u>(288,873)</u>	<u>(2,620,638)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale and maturities of investments	<u>763,089</u>	<u>829,494</u>
Net cash provided by financing activities	<u>763,089</u>	<u>829,494</u>
Net increase in cash and cash equivalents	700,365	105,629
CASH AND CASH EQUIVALENTS		
Beginning	<u>2,121,391</u>	<u>2,015,762</u>
Ending	<u>\$ 2,821,756</u>	<u>\$ 2,121,391</u>
SUPPLEMENTAL DISCLOSURES OF CASH AND CASH CASH FLOW INFORMATION		
Interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of activities:

The Community Foundation of the Dan River Region (the Foundation) was organized and incorporated under the laws of the Commonwealth of Virginia as a not-for-profit organization in September 1996. The Foundation is a not-for-profit, nonstock, tax-exempt public charity organized for the purpose of providing financial resources for social, educational, cultural, and other charitable benefits of the communities of Danville, Pittsylvania County, Halifax County, and Henry County, Virginia, and Caswell County, North Carolina.

Basis of presentation:

The consolidated financial statements include the accounts of the Foundation and those of its supporting organization, Community Foundation Properties, LLC (CFP). CFP is a corporation organized for the purpose of acquiring, accepting, holding, and managing gifts of real property, interests in real property, and other gifts for the sole benefit of the Foundation. The Foundation is the sole corporate member of CFP. Inter-organizational transactions and balances have been eliminated.

Basis of accounting:

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets:

As a not-for-profit organization, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. However, governing instruments of the Foundation as well as certain donor agreements provide for the exercise of a variance power by the Foundation allowing the Board of Directors, at its discretion, to modify any restriction placed on contributions by donors if such restrictions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

It is the intent of the Foundation's Board of Directors to honor restrictions placed on contributions by donors. However, endowed funds are intended to be maintained in perpetuity and, over time it is inevitable that instances of changes, that cannot be presently contemplated, will occur to the extent that they make following donor stipulations unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Therefore, the Board of Directors' variance power is imperative to operations and, because of the power to do otherwise as described above, net assets have been classified in these consolidated financial statements as without donor restrictions unless the Board of Directors' variance power does not apply.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net assets without donor restrictions:

Consist of assets, net of liabilities, related to the Foundation's regular activities, which are available at the discretion of the Foundation's Board of Directors. Without donor restrictions amounts that are available for use in carrying out the mission of the Foundation consist of expendable resources, including funds designated for special use by the Foundation's Board of Directors and funds subject to the variance power established by the Foundation's Governing Documents, and unexpendable resources invested in land, buildings, and equipment. The earnings of net assets without donor restrictions are to be used for operations.

The several types of endowment funds within the classification of net assets without donor restrictions are as follows:

Donor advisory endowment funds – Represent funds contributed by donors to benefit specific charitable areas of interest for which a committee designated by the donor may make periodic recommendations as to grants from the fund. Recommendations are subject to the Foundation's variance power; therefore, earnings from these funds are classified as without donor restrictions.

Donor designated endowment funds – Represent funds contributed by donors to benefit specific charitable or educational areas of interest. The Board of Directors awards grants within the areas specified by the donors subject to the Foundation's variance power.

Undesignated endowment funds – Represent funds for which the only restriction imposed by the donor is that the principal amount be preserved and the earnings from these funds be expended at the discretion of the Board of Directors.

Board designated endowment funds – The Foundation's Board of Directors may designate an otherwise unrestricted amount as an endowment fund whereby the contribution would remain intact and earnings set aside for a specific use determined by the Board of Directors. Since the restriction is not from an external donor and subject to change by future Board of Directors, these funds and their earnings are classified as unrestricted.

Net assets with donor restrictions:

Represent those amounts not subject to the Foundation's variance power which are donor restricted for specific purposes. Some donor-imposed restrictions are temporary in nature and may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions.

Comparative financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Expiration of donor-imposed restrictions:

The expiration of donor-imposed restriction(s) of a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unrestricted bequests:

The Foundation follows the policy of designating all unrestricted bequests as funds functioning as contributions. Such bequests are included in contributions and grants in the Consolidated Statement of Activities and Changes in Net Assets.

Revenue recognition:

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor-imposed restrictions on net assets are reported as net assets released from restriction on the Combined Statements of Activities.

The Foundation reports non-cash gifts as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Foundation reports expirations of donor restrictions when the donated assets are placed in service.

Contributions are recognized as revenues in the period made. Contributions of assets other than cash, which are primarily donated investment securities, are recorded at their estimated fair value at the date of donation.

Functional allocation of expenses:

Expenses are charged directly to program services, management and general, or fundraising in general categories based on specific identification.

Program related expense – Program related expense consists primarily of expenses incurred in relation to community grants awarded.

Support services expenses – Support services expenses include salaries and benefits, rent, and other overhead expenses that are incurred in the overall operation of the Foundation and are not specifically attributable to a particular fund or program. An administrative fee, which generally ranges from 0.40% to 1.25% of each fund's market value, is charged

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

to cover the Foundation's operating expenses. Most pass-through (non-endowed) funds are charged a 2% administrative fee for the contributed amount, plus any interest or income earned. Special Projects Funds require additional oversight and have a 5% fee unless special circumstances require higher fees.

Cash equivalents:

For purposes of the Consolidated Statement of Cash Flows, the Foundation considers all highly liquid investments which are readily convertible into cash to be cash equivalents.

Investments:

The Foundation investments are reported at fair value in the combined statements of financial position. The fair value of marketable equity and debt securities is determined using quoted market prices. Certain less-marketable investments are generally carried at values determined by the respective investment managers using valuation approaches that can generally be classified as either; an income or earnings approach, a cost or asset approach, or a market approach. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the combined financial statements. Unrealized gains and losses are included in the combined statements of activities.

Investment management fees:

Investment management fees paid directly to the investment managers for the fiscal years ended June 30, 2021 and 2020, totaled \$133,187 and \$115,776, respectively. In addition, there were management fees incurred for the Foundation's alternative investments. Those fees were not paid to the managers but netted from the return on alternative investments.

Contributed services:

The Foundation receives a substantial amount of services donated by volunteers in carrying out the activity of the Foundation. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC Topic 958-Not-for-Profit Entities.

Land, buildings, and equipment:

For financial statement presentation, land, buildings, and equipment purchases have been capitalized. Donated land, buildings, and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt and are capitalized. The Foundation capitalizes asset acquisitions of \$5,000 or more. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-40 Years
Equipment and other	5-10 Years

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Insurance legacies:

The Foundation has been named as beneficiary of certain insurance policies. Under the terms of the insurance policies, the Foundation will receive the applicable death benefit from the related insurance policies; and accordingly, the Foundation's interest in the insurance policies is recorded as an asset at fair value. The fair value of the insurance policies is presumed to be the policies' cash surrender value at the end of the Foundation's reporting period. Changes in the fair value of insurance assets, over any applicable obligations, are included in the Consolidated Statement of Activities as with donor restrictions revenue and support.

Outstanding legacies:

The Foundation is the beneficiary under various wills and trust agreements, the total realizable value amounts of which are not presently determinable. The Foundation's share of such bequests is recorded when the testamentary instrument is deemed to be valid and the proceeds are measurable.

Commitments and contingencies:

Contracts with government agencies require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of funds to the agencies or the suspension of future funds. Although that is a possibility, the Board of Directors deems the contingencies remote.

Funds held as agency endowment liabilities:

The Foundation is a recipient organization that accepts contributions from organizations and agrees to use those assets on behalf of a specified beneficiary and recognizes the fair value of those assets as a liability to the specified beneficiary. The Foundation maintains variance power and legal ownership of agency endowment funds and as such, continues to report the funds as assets of the Foundation.

Advertising:

The Foundation's advertising is non-direct and costs are expensed as incurred. Advertising expenses for the years ended June 30, 2021 and 2020 were \$15,058 and \$16,560, respectively.

Income taxes:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Internal Revenue Code Section 509(a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi) of the Internal Revenue Code.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Management review:

The Foundation must disclose the date through which subsequent events have been evaluated, in accordance with the requirements in FASB ASC Paragraph 855. In regards to these consolidated financial statements and the notes to these financial statements, the Foundation has evaluated all subsequent events through September 27, 2021, the date the Foundation's financial statements are available to be issued.

Note 2. Investments

Investment performance for all accounts managed under investment agreements with external agents is reviewed periodically by the Foundation's Investment Committee and Board of Directors.

Net investment income is comprised of the following for the years ended June 30, 2021:

Interest and dividend income	\$ 592,633
Net realized and unrealized gains on investments	<u>11,760,140</u>
	<u>\$ 12,352,773</u>

Note 3. Fair Value Measurements

FASB issued ASC Topic 820 – Fair Value Measurements and Disclosures, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted price in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

The fair value of the following financial assets, excluding its cash and cash equivalents and certificates of deposits, of the Foundation are measured at fair value based on the following input levels:

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 760,371	\$ 760,371	\$ -	\$ -
Equity securities	40,027,233	40,027,233	-	-
Corporate debt securities	499,390	499,390	-	-
Fixed income	341,699	341,699	-	-
Real estate	2,845,158	1,242,960	-	1,602,198
Tangible assets	-	-	-	-
Municipal bonds	2,532,096	2,532,096	-	-
U.S. Government agencies	362,935	362,935	-	-
U.S. Treasury securities	21,594	21,594	-	-
Alternative investments	622,394	-	-	622,394
Total	<u>\$ 48,012,870</u>	<u>\$ 45,788,278</u>	<u>\$ -</u>	<u>\$ 2,224,592</u>

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,149,044	\$ 1,149,044	\$ -	\$ -
Equity securities	28,823,159	28,823,159	-	-
Corporate debt securities	111,593	111,593	-	-
Hedge fund	310,586	310,586	-	-
Real estate	2,591,587	1,052,746	-	1,538,841
Tangible assets	-	-	-	-
Municipal bonds	2,765,168	2,765,168	-	-
U.S. Government agencies	356,180	356,180	-	-
U.S. Treasury securities	23,011	23,011	-	-
Alternative investments	596,618	-	-	596,618
Total	<u>\$ 36,726,946</u>	<u>\$ 34,591,487</u>	<u>\$ -</u>	<u>\$ 2,135,459</u>

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (Continued)

Level 3 investment activity for the year ended June 30, 2021 consists of the following:

Balance at June 30, 2020	\$ 2,135,459
Ordinary income	-
Interest and dividends	38,006
Total realized and unrealized gains	217,431
Investment fees	(32,408)
Transfers into Level 3	469
Transfers out of Level 3	<u>(134,365)</u>
Balance at June 30, 2021	<u><u>\$ 2,224,592</u></u>

Level 1 Fair value measurement – The fair values are based on quoted prices in active markets for identical securities.

Level 2 Fair value measurement – The fair values are determined by observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk).

Level 3 Fair value measurement – The fair values are determined by unobservable inputs.

Note 4. Land, Buildings, and Equipment

The Foundation received a contribution in 1998 of land and buildings as part of a donation. The land and buildings were recorded at a value based upon appraised value as determined in the jurisdiction in which the real estate is located.

The Foundation has recognized depreciation expense for the buildings of \$34,904 per year since the contribution of the assets but did not for the year ended June 30, 2021 due to the value of the property per the financial statements being less than the fair market value.

Land, buildings, and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land		
Administrative office	\$ 21,233	\$ 21,233
Donated land	123,400	123,400
Other	138,700	138,700
Buildings		
Administrative office	301,781	301,781
Donated buildings	992,600	992,600
Furniture and equipment	39,688	39,788
Computer equipment and software	<u>37,242</u>	<u>37,242</u>
	1,654,644	1,654,744
Less: Accumulated depreciation and amortization	<u>1,009,058</u>	<u>994,118</u>
	<u><u>\$ 645,586</u></u>	<u><u>\$ 660,626</u></u>

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 4. Land, Buildings, and Equipment (Continued)

Depreciation and amortization was \$15,040 and \$17,336 for the years ended June 30, 2021 and 2020, respectively.

Note 5. Retirement Plan

The Foundation maintains a Simplified Employee Pension Plan (Plan) covering all employees who meet the eligibility requirements of the Plan. The Foundation's contributions to the Plan are at the sole discretion of the Board of Directors for the Foundation. Contributions to the Plan for the years ended June 30, 2021 and 2020 were \$5,627 and \$5,760, respectively.

Note 6. Significant Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. These matters include the following:

Contributions:

Approximately 80% of all contributions were received from eleven donors for the year ended June 30, 2021.

Investments:

The Foundation's investments consist primarily of financial instruments including cash equivalents, equity securities, fixed income securities, and money market funds. These financial instruments may subject the Foundation to concentrations of credit risks as, from time to time, cash balances exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and investments are subject to changes in market values. At June 30, 2021, the Foundation's cash and cash equivalents balances in financial institutions included cash deposits of \$3,100,720 which were not covered by FDIC coverage.

Note 7. Endowment Funds

Net asset classifications:

The FASB issued ASC Topic 958 – Not-for-Profit Entities which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC Topic 958 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and Board of Director designated endowment funds) whether or not the organization is subject to UPMIFA.

Inasmuch as the State of Virginia adopted UPMIFA effective March 2008, the Board of Directors has determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA. The Foundation is governed subject to the Governing Documents for the Foundation and most contributions are received subject to the terms of the Governing Documents.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment Funds (Continued)

Under the terms of the Governing Documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted 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
- (7) The investment policies of the Foundation

As a result of the ability to distribute corpus, the Board of Directors has determined that all contributions received subject to the Governing Documents, and subject to UPMIFA, are classified as with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions. Contributions that are subject to other gift instruments may be recorded as with donor restrictions or without donor restrictions, depending on the specific terms of the agreement.

Generally, if the corpus of a contribution will, at some future time, become available for spending or if the corpus never becomes available for spending, it will be reported as with donor restrictions. In addition, contributions that are promised to be given in a future period are presented as with donor restrictions until the payments are due.

Endowment 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. 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. The current long-term return objective is to return 5.0%, real rate of return. Actual returns in any given year may vary from this amount.

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 parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to distribute an amount up to 5.0% of a moving five-year average.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment Funds (Continued)

Accordingly, over the long term the Foundation expects its current spending policy to allow its endowment assets to grow 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, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021, there were no deficiencies in the funds.

Changes in endowment net assets:

For the year ended June 30, 2021:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 38,872,458	\$ 280,019	\$ 39,152,477
Reclassified to agency endowments	-	-	-
Investment income	592,633	-	592,633
Net realized and unrealized gains, other income	11,773,094	-	11,773,094
Contributions	824,977	340,559	1,165,536
Appropriation of endowment assets for expenditure	(1,752,735)	-	(1,752,735)
Other charges-transfers	<u>390,317</u>	<u>(390,317)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 50,700,744</u>	<u>\$ 230,261</u>	<u>\$ 50,931,005</u>

Amounts released from restriction in 2021 and 2020 relate primarily to the occurrence of the passage of time and appropriations of spendable amounts from endowments funds.

Note 8. Commitments

The Foundation has entered into certain subscription agreements to acquire investment securities at such times as determined by the investment advisory managers and/or the securities issuer. The remaining balance of these unfunded capital commitments for the years ended June 30, 2021 and 2020, were \$566,292 and \$643,129, respectively.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO FINANCIAL STATEMENTS

Note 9. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 2,821,756	\$2,121,391
Investments, short-term and liquid	<u>760,371</u>	<u>1,149,044</u>
	3,582,127	3,270,435
Less amounts not available to be used within one year or amounts not available without Board approval		
Agency endowment liabilities	(593,975)	(402,134)
Donor and committee advised funds	<u>(2,449,853)</u>	<u>(2,113,304)</u>
Available for general expenditure	<u>\$ 538,300</u>	<u>\$ 754,997</u>

The Foundation generally uses the assets held for donor advised funds for grantmaking based on donor recommendations although those funds are not donor-restricted.

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. Although the Foundation does not intend to spend from the board-designated endowment (other than amounts appropriated per the board's annual spending rate approval), these amounts could be made available if necessary. See Note 7 for more information.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

Note 10. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, professional services, office supplies, and web hosting and software, which are allocated on the basis of estimates of time and effort.