

*Financial Statements*

PIEDMONT COMMUNITY  
FOUNDATION

December 31, 2013

## **GENERAL ORGANIZATIONAL DATA**

### **ORGANIZATION AND PURPOSE**

Piedmont Community Foundation was incorporated June 4, 1999 under the laws of the Commonwealth of Virginia to operate as a non-stock, not-for-profit corporation.

Piedmont Community Foundation (PCF) is organized exclusively to support charitable, literary and educational purposes in the Northern Piedmont Region of Virginia, specifically in Loudoun and Northern Fauquier Counties and surrounding areas.

### **OFFICERS**

J. Bradley Davis, President  
Sandra L. Atkins, CPA, PFS Treasurer  
Susan D. Webb, Secretary

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J. Bradley Davis	Schuyler Richardson
Thomas Dungan	John M. Rust
Verna Flemming, Ph.D.	Patricia Stout
James Herbert, Jr.	Susan D. Webb
Bernardus T. Wegdam	

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Jill Beach	Steven J. DeLong, P.E.
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Alan B. Croft	Susan Jane Stack
Deborah A. Wilson, CPA	

### **EXECUTIVE DIRECTOR**

Amy E. Owen

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# MITCHELL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY D. MITCHELL, CPA  
SANDRA M. TONDREAU, CPA  
MEGAN R. JOLLON, CPA  
W. MATTHEW BURNS, CPA

AMANDA L. MASON, CPA

110 EAST MARKET STREET | SUITE 200  
LEESBURG, VIRGINIA 20176  
P 703.777.4900 | F 703.771.3082  
WWW.MCOCPA.COM

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

VIRGINIA SOCIETY OF  
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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Piedmont Community Foundation  
Middleburg, Virginia

We have reviewed the accompanying statement of financial position of Piedmont Community Foundation (a nonprofit organization) as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Schedule of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Leesburg, Virginia  
March 13, 2014

*Mitchell & Co., P.C.*

**PIEDMONT COMMUNITY FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2013**

**(with December 31, 2012 comparative totals)**

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 873,213	\$ 434,560
Contributions pledged receivable	5,000	12,165
Prepaid expenses	2,720	1,952
Investments, at fair value	<u>1,123,186</u>	<u>909,773</u>
<b>Total assets</b>	<u><u>\$ 2,004,119</u></u>	<u><u>\$ 1,358,450</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued expenses	\$ 38,015	\$ 12,132
Agency endowment funds	<u>364,082</u>	<u>318,166</u>
	<u>402,097</u>	<u>330,298</u>
Net Assets		
Unrestricted:		
Donor advised endowment	\$ 142,787	\$ 95,610
Designated endowment	360,903	299,960
Field of interest endowment	839,640	556,311
Unrestricted endowment	38,457	32,229
Unrestricted	<u>202,235</u>	<u>44,042</u>
	<u>1,584,022</u>	<u>1,028,152</u>
Temporarily restricted	<u>18,000</u>	<u>-</u>
<b>Total net assets</b>	<u><u>1,602,022</u></u>	<u><u>1,028,152</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 2,004,119</u></u>	<u><u>\$ 1,358,450</u></u>

See accompanying notes and independent accountant's review report.

**PIEDMONT COMMUNITY FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(with December 31, 2012 comparative totals)**

	2013			2012
	Unrestricted	Temporarily Restricted	Totals	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,144,776	\$ 18,000	1,162,776	\$ 339,614
In kind contributions	17,528	-	17,528	10,910
Special events (net of expense)	22,805	-	22,805	20,848
Component fund special events (net of expense)	11,278	-	11,278	-
Interest and dividend income	40,580	-	40,580	23,902
Net unrealized and realized gain on investments	89,403	-	89,403	40,954
Net assets released from restriction	-	-	-	-
<b>Total support and revenue</b>	<b>1,326,369</b>	<b>18,000</b>	<b>1,344,369</b>	<b>436,228</b>
<b>EXPENSES</b>				
Program grants and distributions	597,213	-	597,213	137,800
Program services	128,636	-	128,636	88,195
Supporting services				
Accounting and legal	19,735	-	19,735	14,655
Insurance	1,751	-	1,751	1,464
Fundraising	4,231	-	4,231	4,983
General and administrative	5,364	-	5,364	4,891
Occupancy	9,650	-	9,650	9,650
Investment fees	3,919	-	3,919	-
<b>Total expenses</b>	<b>770,499</b>	<b>-</b>	<b>770,499</b>	<b>261,638</b>
<b>Change in net assets</b>	<b>555,870</b>	<b>18,000</b>	<b>573,870</b>	<b>174,590</b>
<b>Net assets, beginning of year</b>	<b>1,028,152</b>	<b>-</b>	<b>1,028,152</b>	<b>849,191</b>
Reclassify agency endowment funds to net assets	-	-	-	4,371
<b>Net assets, end of year</b>	<b>\$ 1,584,022</b>	<b>\$ 18,000</b>	<b>\$ 1,602,022</b>	<b>\$ 1,028,152</b>

See accompanying notes and independent accountant's review report.

**PIEDMONT COMMUNITY FOUNDATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(with December 31, 2012 comparative totals)**

	2013	2012
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 573,870	\$ 178,961
Adjustments to reconcile change in net assets to net cash provided by operations:		
Realized (gain) on investments	(37,835)	-
Net unrealized (gain) on investments	(61,512)	(67,287)
Donated valued of investment securities	(53,190)	(19,363)
Changes in assets and liabilities:		
Decrease in contribution receivable	7,165	6,085
(Increase) in prepaid expenses	(768)	(973)
Increase in account payable	25,882	9,922
<b>Net cash provided by operating activities</b>	<u>453,612</u>	<u>107,345</u>
<b>Cash Flows From Investing Activities</b>		
Liquidation of investments	1,139,058	30,178
Purchase of investments	(1,199,933)	(133,423)
Increase in agency endowment funds	45,916	110,789
<b>Net cash (used in) provided by investing activities</b>	<u>(14,959)</u>	<u>7,544</u>
<b>Net increase in cash and cash equivalents</b>	438,653	114,889
<b>Cash and Cash Equivalents</b>		
Beginning of year	434,560	319,671
End of year	<u>\$ 873,213</u>	<u>\$ 434,560</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
In-kind contributions	<u>\$ 33,673</u>	<u>\$ 10,910</u>

See accompanying notes and independent accountant's review report.

# PIEDMONT COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Nature of Business

Piedmont Community Foundation (PCF) is a nonprofit non-stock corporation located in Middleburg, Virginia, organized in 1999. PCF is committed to facilitating charitable giving in order to meet the charitable, literary and educational needs of the Northern Piedmont Region of Virginia, focusing on the counties of Loudoun and Fauquier. PCF is committed to the growth of charitable endowment as the most effective means to support the needs of the community.

### Note 2. Significant Accounting Policies

The financial statements of PCF have been prepared in accordance with policies followed by nonprofit organizations. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

*Basis of Presentation:* Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets:* Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Assets:* Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Assets:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

*Property, Equipment and Depreciation:* Property and equipment are recorded at cost. Depreciation of property and equipment is computed principally on the straight-line method over the estimated useful lives of five to ten years.

*Income Taxes:* PCF was granted exemption from federal income tax under IRC Section 501(c)(3) and classified as a non-private foundation under IRC Section 509 (9)(1) December 7, 1999. Consequently there is no provision for federal income taxes or unrelated business taxable income. The Organization has adopted the uncertainty in income taxes guidance under ASC Topic 740, *Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of this guidance. Income tax reporting years open for IRS audit includes 2010, 2011, 2012 and 2013.

*Cash and Cash Equivalents:* For purposes of reporting cash flows, PCF considers all cash on demand deposits, money market deposits, cash management accounts and certificates of deposit, with maturities of three months or less or accessible on demand, to be cash equivalents.

*Contributions:* Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realized value.

## PIEDMONT COMMUNITY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Significant Accounting Policies (continued)

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

*Revenue Recognition:* Program fees, memberships and grants are reported as income when received.

*Agency and Non-Agency Endowment Funds:* The PCF reports charitable agency and non-agency donor contributions in accordance with the guidance of FAS No 136 contained in ASC Topic 958, *Not-for-profit entities*:

*Agency Endowment Funds:* Agency endowment funds are established for transactions in which PCF accepts contributions from charitable agency donors. PCF agrees to transfer back to the donor agency parts or all of those assets and investment returns. PCF maintains variance power and legal ownership of agency endowment funds, reporting the funds as an asset with a corresponding agency obligation liability.

*Non-Agency Endowment Funds:* Donations received from individuals or non-agency charitable organizations are reported as unrestricted charitable donations. PCF has the ability to remove any donor restriction and maintains this variance power and legal ownership. This variance power does not alter the foundation's policy to distribute the donated assets within the intention of the donor. PCF maintains these donated assets into component funds aligned with donor intentions.

#### Note 3. Cash and Cash Equivalents

PCF maintains cash banking balances at Middleburg Bank and Access National Bank. Account balances up to \$250,000 at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013, FDIC uninsured cash balances at Middleburg Bank totaled \$300,064. PCF has not experienced any losses on such accounts and believes it is not exposed to any significant credit risks.

#### Note 4. Agency Endowment Funds Held

Agency endowment funds activity for 2012 and 2013 is summarized as follows:

Activity/Description	2013	2012
Agency endowment funds January 1	\$ 318,166	\$ 207,377
Charitable agency funds received	-	101,000
Unrealized gain	31,113	19,643
Net investment income	24,038	6,517
Fees and grant distributions	(9,235)	(12,000)
Reclassification to net assets	-	(4,371)
Agency endowment funds December 31	<u>\$ 364,082</u>	<u>\$ 318,166</u>

# **PIEDMONT COMMUNITY FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 5. Investments**

Investments are carried at fair value and realized and unrealized gains and losses are reported in the statement of activities. Investments received by gift are recorded at market value at the date of the donation. Investments at year end are as follows:

Type	December 31, 2013		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Money funds and deposits	\$ 10,165	\$ 10,165	-
Exchange traded products	28,132	30,132	2,000
Mutual funds	1,030,521	1,082,889	52,368
	<u>\$ 1,068,818</u>	<u>\$ 1,123,186</u>	<u>\$ 54,368</u>

  

Type	December 31, 2012		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 923,368	\$ 909,773	\$ (13,595)

### **Note 6. Administrative Income**

PCF's policy was to assess each fund a fee of one percent (1%) of its market value to offset administrative costs. This inter-fund entry is eliminated for financial statement presentation.

### **Note 7. Contributed Services**

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A summary of 2012 and 2013 donated services is as follows:

Description/Type	2013	2012
Printing and design	\$ 13,528	\$ 310
Event support	-	8,600
Legal services	4,000	2,000
	<u>17,528</u>	<u>10,910</u>
Direct special event support	16,145	-
	<u>\$ 33,673</u>	<u>\$ 10,910</u>

## PIEDMONT COMMUNITY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Legacy Gifts

PCF is the beneficiary of various wills and trust agreements. The realizable amount is not presently determinable. Such amounts will be recognized and reported when the benefit gift amount is determinable.

#### Note 9. Rent Expense

PCF currently leases its administrative office space in Middleburg, Virginia on a month to month basis.

#### Note 10. Line of Credit

PCF has secured a \$50,000 line of credit with Middleburg Bank. The terms of the line of credit include: interest rate at 2 points over the Wall Street Journal Prime Rate, with a floor of 5%, unsecured, and due upon demand. At December 31, 2013 there was no outstanding balance.

#### Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available as of December 31, 2013 and 2012 for following purposes:

Description	2012	Received	Released	2013
Child and Families Fund	\$ -	\$ 1,250	\$ -	\$ 1,250
Microenterprise Fund	-	16,750	-	16,750
	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>

#### Note 12. Fair Value of Financial Measurements

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2:* Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

*Marketable Equity Securities:* Valued at quoted prices for identical assets in active markets.

## PIEDMONT COMMUNITY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 12. Fair Value of Financial Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31, 2012 and 2013:

Investment	December 31, 2013		
	Level		
	1	2	3
Money funds and deposits	\$ 10,165	\$ -	\$ -
Exchange traded products	30,132	-	-
Mutual funds	1,082,889	-	-
	<u>\$ 1,123,186</u>	<u>\$ -</u>	<u>\$ -</u>

  

Investment	December 31, 2012		
	Level		
	1	2	3
Marketable equity securities	\$ 909,773	\$ -	\$ -

#### Note 13. Subsequent Events

PCF has evaluated all subsequent events through March 13, 2014, the date the financial statements were available to be issued. PCF has determined there are no material subsequent events that require adjustment to or disclosure in the PCF statements for the year ended December 31, 2013.

**PIEDMONT COMMUNITY FOUNDATION**

**SCHEDULE OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**OPERATIONS FUNDING**

General support contributions	\$ 90,820
1% administration fee	13,854
2% pass through fee	8,364
In kind professional legal services	4,000
<b>Total support and revenue</b>	<b>117,038</b>

**OPERATIONS EXPENSES**

Accounting and legal	19,735
Insurance	1,751
Taxes and licenses	225
Office expenses	1,723
Miscellaneous	1,133
Postage	1,878
Printing	5,507
Utilities	2,912
Rent	9,650
Salary and payroll taxes	72,524
<b>Total expenses</b>	<b>117,038</b>

<b>Net operations activity</b>	<b>\$ -</b>
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See accompanying notes and independent accountant's review report.