

Financial Statements

COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES

December 31, 2017

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Community Foundation for Loudoun and Northern Fauquier Counties, previously known as 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. The Organization is tax exempt under provision 501(c)(3) of the Internal Revenue Code. The Organization changed its name from Piedmont Community Foundation to Community Foundation for Loudoun and Northern Fauquier Counties effective May 2015. The organization continues to file a DBA in the name of Piedmont Community Foundation.

Community Foundation for Loudoun and Northern Fauquier Counties (CF) 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.

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Paul Siker, Vice Chair
Sohaib Tayyab, CPA, Treasurer
Teresa Minchew, Secretary

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Community Foundation for Loudoun and Northern Fauquier Counties
Leesburg, Virginia

We have reviewed the accompanying statement of financial position of Community Foundation for Loudoun and Northern Fauquier Counties (a nonprofit organization) as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. 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's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, 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.

Supplementary Information

The supplementary information included on page 11 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to this information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Report on Summarized Comparative Information

We previously reviewed Community Foundation for Loudoun and Northern Fauquier Counties' 2016 financial statements and in our report dated April 13, 2017, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

Leesburg, Virginia
April 11, 2018

Mitchell & Co., P.C.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,543,544	\$ 1,243,607
Contributions pledged receivable	175,000	141,813
Prepaid expenses	11,458	2,939
Investments, at fair value	<u>2,912,238</u>	<u>2,050,663</u>
Total assets	<u>\$ 4,642,240</u>	<u>\$ 3,439,022</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 13,632	\$ 7,453
Agency endowment funds	<u>421,046</u>	<u>371,864</u>
	<u>434,678</u>	<u>379,317</u>
Net Assets		
Unrestricted:		
Donor advised endowment	1,033,802	396,009
Designated endowment	900,062	847,749
Field of interest endowment	1,786,515	1,533,428
Scholarship	165,089	50,966
Unrestricted endowment	47,530	39,409
Unrestricted	<u>99,388</u>	<u>50,143</u>
	<u>4,032,386</u>	<u>2,917,704</u>
Temporarily restricted	<u>175,176</u>	<u>142,001</u>
Total net assets	<u>4,207,562</u>	<u>3,059,705</u>
Total liabilities and net assets	<u>\$ 4,642,240</u>	<u>\$ 3,439,022</u>

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (with December 31, 2016 comparative totals)

	2017			2016
	Unrestricted	Temporarily Restricted	Totals	
SUPPORT AND REVENUE				
Contributions	\$ 1,677,423	\$ 329,476	\$ 2,006,899	\$ 1,174,712
In kind contributions	46,657	-	46,657	49,441
Component fund special events (net of expense)	67,592	-	67,592	61,091
Interest and dividend income	70,622	-	70,622	45,163
Net unrealized and realized gain (loss) on investments	226,995	-	226,995	114,508
Professional services income	5,015	-	5,015	43,554
	2,094,304	329,476	2,423,780	1,488,469
Net assets release from restrictions	296,301	(296,301)	-	-
Total support and revenue	2,390,605	33,175	2,423,780	1,488,469
EXPENSES				
Program grants and distributions	923,553	-	923,553	627,488
Program services	277,106	-	277,106	354,380
Supporting services				
Accounting and legal	26,483	-	26,483	23,505
Insurance	2,632	-	2,632	2,776
Fundraising	11,369	-	11,369	11,532
General and administrative	7,324	-	7,324	9,417
Occupancy	25,416	-	25,416	24,887
Investment fees	2,040	-	2,040	4,898
Total expenses	1,275,923	-	1,275,923	1,058,883
Change in net assets	1,114,682	33,175	1,147,857	429,586
Net assets, beginning of year	2,917,704	142,001	3,059,705	2,630,119
Net assets, end of year	\$ 4,032,386	\$ 175,176	\$ 4,207,562	\$ 3,059,705

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 1,147,857	\$ 429,586
Adjustments to reconcile change in net assets to net cash provided by operations:		
Realized (gain) loss on investments	291	31,582
Net unrealized (gain) loss on investments	(284,219)	(146,090)
Donated value of investment securities	(21,063)	(20,248)
Changes in assets and liabilities:		
Decrease (increase) in contribution receivable	(33,187)	(61,813)
(Increase) in prepaid expenses	(8,519)	17,433
Increase (decrease) in account payable	6,179	1,615
Net cash provided by operating activities	807,339	252,065
Cash Flows From Investing Activities		
Net (purchase) sale of investments	(556,584)	102,644
Increase (decrease) in agency endowment funds	49,182	30,036
Net cash (used in) investing activities	(507,402)	132,680
Net increase (decrease) in cash and cash equivalents	299,937	384,745
Cash and Cash Equivalents		
Beginning of year	1,243,607	858,862
End of year	\$ 1,543,544	\$ 1,243,607
Supplemental Disclosure of Cash Flow Information		
In-kind contributions	\$ 46,657	\$ 49,441

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

Community Foundation for Loudoun and Northern Fauquier Counties (CF) is a nonprofit non-stock corporation located in Leesburg, Virginia, organized in 1999. CF 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. CF 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 CF 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: CF 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 2014, 2015, 2016 and 2017.

Cash and Cash Equivalents: For purposes of reporting cash flows, CF 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.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

NOTES TO FINANCIAL STATEMENTS

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 CF 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 CF accepts contributions from charitable agency donors. CF agrees to transfer back to the donor agency parts or all of those assets and investment returns. CF 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. CF 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. CF maintains these donated assets into component funds aligned with donor intentions.

Note 3. Cash and Cash Equivalents

CF maintains cash banking balances at Access National Bank and John Marshall Bank. Account balances up to \$250,000 at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2017, FDIC uninsured cash balances at Access National Bank and John Marshall Bank totaled \$667,491 and \$4,009, respectively. CF 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 2017 and 2016 is summarized as follows:

<u>Activity/Description</u>	<u>2017</u>	<u>2016</u>
Agency endowment funds January 1	\$ 371,864	\$ 341,828
Charitable agency funds received	12,000	17,500
Net investment income and unrealized gains	57,207	29,719
Fees and grant distributions	(20,025)	(17,183)
Agency endowment funds December 31	<u>\$ 421,046</u>	<u>\$ 371,864</u>

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

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, 2017		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Exchange traded funds	\$ 1,248,874	\$ 1,340,865	\$ 91,991
Bonds	62,030	62,014	(16)
Mutual funds	1,251,279	1,509,359	258,080
	<u>\$ 2,562,183</u>	<u>\$ 2,912,238</u>	<u>\$ 350,055</u>

Type	December 31, 2016		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Exchange traded funds	\$ 876,119	\$ 859,813	\$ (16,306)
Bonds	16,160	16,014	(146)
Mutual funds	1,101,060	1,174,836	73,776
	<u>\$ 1,993,339</u>	<u>\$ 2,050,663</u>	<u>\$ 57,324</u>

Note 6. Administrative Income

CF'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. CF also assess a 2-3% fee on scholarship funds and pass through funds.

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 2017 and 2016 donated services is as follows:

Description/Type	2017	2016
Printing and design	\$ 3,923	\$ 692
CPA annual review and 990	2,223	3,225
Rent	24,300	24,300
Computer services and software	231	1,234
	<u>30,677</u>	29,451
Direct program support	15,980	19,900
	<u>\$ 46,657</u>	<u>\$ 49,351</u>

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

NOTES TO FINANCIAL STATEMENTS

Note 8. Legacy Gifts

CF 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

CF moved its office to the Healthworks building in Leesburg, Virginia in December 2014. Healthworks is providing the space to CF without charge or stated end date. In 2017, \$23,400 of rent was recorded as in-kind.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available as of December 31, 2017 and 2016 for following purposes:

Description	2016	Received	Released	2017
Give Choose Program	\$ 189	\$ 154,476	\$ (154,489)	\$ 176
Claude Moore Foundation	140,000	175,000	(140,000)	175,000
Loudoun Impact Fund	1,812	-	(1,812)	-
	<u>\$ 66,741</u>	<u>\$ 329,476</u>	<u>\$ (296,301)</u>	<u>\$ 175,176</u>

Note 11. 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:

Exchange Traded Products: Valued at quoted prices for identical assets in active markets.

Bonds: Valued at quoted prices for identical assets in active markets.

Mutual Funds: Valued at quoted prices for identical assets in active markets.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

NOTES TO FINANCIAL STATEMENTS

Note 11. 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, 2017 and 2016:

Investment	December 31, 2017		
	Level		
	1	2	3
Exchange traded products	\$ 1,340,865	\$ -	\$ -
Bonds	62,014	-	-
Mutual funds	1,509,359	-	-
	\$ 2,912,238	\$ -	\$ -

Investment	December 31, 2016		
	Level		
	1	2	3
Exchange traded products	\$ 859,813	\$ -	\$ -
Bonds	16,014	-	-
Mutual funds	1,174,836	-	-
	\$ 2,050,663	\$ -	\$ -

Note 12. Subsequent Events

CF has evaluated all subsequent events through April 11, 2018, the date the financial statements were available to be issued. CF has determined there are no material subsequent events that require adjustment to or disclosure in the CF statements for the year ended December 31, 2017.

COMMUNITY FOUNDATION FOR LOUDOUN AND NORTHERN FAUQUIER COUNTIES

**SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with December 31, 2016 comparative totals)**

	2017	2016
OPERATIONS FUNDING		
General support contributions	\$ 274,344	\$ 211,222
Administration fees	36,266	34,071
Professional services income	-	38,759
Miscellaneous income	367	-
Interest	4,486	1,933
In kind	28,124	26,794
Total support and revenue	343,587	312,779
OPERATIONS EXPENSES		
Accounting and legal	24,260	21,275
Annual report	3,333	3,184
Grants from annual fund	11,000	9,000
Insurance	1,699	2,514
Taxes and licenses	842	125
Office expenses	3,874	3,471
Marketing and outreach	56,021	22,907
Meetings and conferences	15,097	7,020
Membership	60	3,045
Miscellaneous	629	678
Postage	1,007	903
In kind rent	24,300	24,300
Interest	77	72
Printing	3,871	863
Research and development	1,101	9,718
Salary and payroll taxes	101,372	142,713
Software	10,000	-
Utilities	1,116	587
Total expenses	259,659	252,375
Net operations activity	\$ 83,928	\$ 60,404

See accompanying notes and independent accountant's review report.