

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Leesburg, Virginia

FINANCIAL REPORT

December 31, 2022

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50 S. Cameron St,
Winchester, VA 22601

540.662.3417

YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Community Foundation for Loudoun and Northern Fauquier Counties (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 Foundation'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 Foundation'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Operations supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yount, Hyde & Barbours, P.C.

Winchester, Virginia
May 26, 2023

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Statements of Financial Position

December 31, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,485,962	\$ 1,547,644
Contributions and other receivables	25,453	366,424
Prepaid expenses	3,790	5,657
Other current assets	6,667	6,667
Investments	8,334,977	9,784,993
	<u>9,856,849</u>	<u>11,711,385</u>
Property and Equipment, net	<u>47,593</u>	<u>57,826</u>
Right-of-use assets - operating	<u>665,007</u>	<u>--</u>
Total assets	<u>\$ 10,569,449</u>	<u>\$ 11,769,211</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 19,767	\$ 29,718
Agency endowment funds	462,715	569,884
Lease liability - operating	675,114	--
	<u>1,157,596</u>	<u>599,602</u>
Net Assets		
Net assets without donor restrictions:		
Donor advised funds	3,494,271	4,733,722
Designated funds	1,137,834	1,414,715
Field of interest funds	2,742,104	3,060,632
Scholarship funds	1,030,640	996,394
Fiscally sponsored funds	22,807	22,787
Unrestricted funds	659,197	574,935
	<u>9,086,853</u>	<u>10,803,185</u>
Net assets with donor restrictions	<u>325,000</u>	<u>366,424</u>
Total net assets	<u>9,411,853</u>	<u>11,169,609</u>
Total liabilities and net assets	<u>\$ 10,569,449</u>	<u>\$ 11,769,211</u>

See Notes to Financial Statements.

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Statement of Activities

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 2,696,050	\$ 325,000	\$ 3,021,050
Investment return, net	(1,269,442)	--	(1,269,442)
Other income	19,747	--	19,747
	<u>1,446,355</u>	<u>325,000</u>	<u>1,771,355</u>
Net assets released from restrictions	366,424	(366,424)	--
Total support and revenue	<u>1,812,779</u>	<u>(41,424)</u>	<u>1,771,355</u>
Expenses			
Grants and distributions	2,658,733	--	2,658,733
Program expenses	685,569	--	685,569
Supporting services:			
Accounting and legal	26,088	--	26,088
Insurance	5,632	--	5,632
Depreciation	10,232	--	10,232
General and administrative	38,577	--	38,577
Occupancy and telephone	104,280	--	104,280
Total expenses	<u>3,529,111</u>	<u>--</u>	<u>3,529,111</u>
Change in net assets	(1,716,332)	(41,424)	(1,757,756)
Net Assets, beginning of year	<u>10,803,185</u>	<u>366,424</u>	<u>11,169,609</u>
Net Assets, end of year	<u>\$ 9,086,853</u>	<u>\$ 325,000</u>	<u>\$ 9,411,853</u>

See Notes to Financial Statements.

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Contributed financial assets	\$ 2,893,122	\$ 366,424	\$ 3,259,546
Contributed nonfinancial assets	2,063	--	2,063
Component fund special events, net of expenses	29,433	--	29,433
Investment return, net	1,073,454	--	1,073,454
Other income	14,495	--	14,495
	4,012,567	366,424	4,378,991
Net assets released from restrictions	372,932	(372,932)	--
Total support and revenue	4,385,499	(6,508)	4,378,991
Expenses			
Grants and distributions	1,828,164	--	1,828,164
Program expenses	736,288	--	736,288
Supporting services:			
Accounting and legal	28,886	--	28,886
Insurance	5,964	--	5,964
Depreciation	9,931	--	9,931
Fundraising	--	--	--
General and administrative	37,969	--	37,969
Occupancy and telephone	93,540	--	93,540
Total expenses	2,740,742	--	2,740,742
Change in net assets	1,644,757	(6,508)	1,638,249
Net Assets, beginning of year	9,158,428	372,932	9,531,360
Net Assets, end of year	\$ 10,803,185	\$ 366,424	\$ 11,169,609

See Notes to Financial Statements.

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,757,756)	\$ 1,638,249
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized (gain) on sale of investments	(230,150)	(634,889)
Unrealized loss (gain) on investments	1,702,675	(267,236)
Depreciation	10,232	9,931
Amortization of right-of-use asset	84,792	--
Changes in assets and liabilities:		
Decrease in contributions and other receivables	340,971	6,508
Decrease in prepaid expenses	1,867	13,279
Decrease in other current assets	--	180
(Decrease) increase in agency endowment funds	(107,169)	64,392
(Decrease) increase in accounts payable and accrued expenses	(9,951)	68
(Decrease) in lease liabilities	(74,685)	--
Net cash (used in) provided by operating activities	(39,174)	830,482
 Cash Flows from Investing Activities		
Purchase of property and equipment	--	(4,512)
Purchase of investments	(6,711,935)	(5,987,580)
Proceeds from sale of investments	6,689,427	5,063,604
Net cash (used in) investing activities	(22,508)	(928,488)
 Net change in cash and cash equivalents	(61,682)	(98,006)
 Cash and Cash Equivalents		
Beginning of year	1,547,644	1,645,650
End of year	\$ 1,485,962	\$ 1,547,644
 Supplemental Disclosure of Cash Flow Information, in-kind contributions	\$ --	\$ 2,063
 Supplemental Disclosure of Noncash Financing and Investing Activities, right-of-use assets recognized with adoption of ASC 842	\$ 749,799	\$ --

See Notes to Financial Statements.

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Notes to Financial Statements

Note 1. The Organization

Community Foundation for Loudoun and Northern Fauquier Counties (“the Foundation”) is a nonprofit, non-stock corporation located in Leesburg, Virginia, organized in 1999. The Foundation is committed to facilitating charitable giving in order to meet the charitable, literary, and educational needs of Loudoun and Northern Fauquier Counties and surrounding areas. The Foundation 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 accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies that follow are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation of property and equipment is computed on the straight-line method over the estimate useful lives of five to ten years. Depreciation expense was \$10,232 and \$9,931 at December 31, 2022 and 2021, respectively.

Income Taxes

The Foundation 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) on December 7, 1999. Consequently, there is no provision federal income taxes or unrelated business taxable income.

Notes to Financial Statements

The Foundation has adopted the uncertainty in income taxes guidance under ASC Topic 740, *Income Taxes*. Management has evaluated the Foundation'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. In addition to 2022, income tax reporting years open for IRS audit includes 2019, 2020 and 2021.

Cash and Cash Equivalents

The Foundation considers cash in demand deposit and other highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Foundation maintains cash banking balances at two banks. Account balances up to \$250,000 at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). The balances in these accounts at times may exceed federally insured limits. The Foundation utilizes an insured cash sweep (ISC) system to limit any significant credit risk as a result of these deposits.

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 the reported amounts of assets and liabilities and the disclosure of contingent asset and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Gifts of cash and other assets for the general use and benefit of the Foundation are presented as net assets without donor restrictions. Other contributions are presented as net assets with donor restrictions if they are received with donor stipulations that further limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Restricted revenue whose restrictions are met in the same year is reflected as unrestricted revenue. Promises to give are recognized as revenue when the pledge is received from a donor and as an expense when payment is authorized by the Board of Directors.

Agency and Non-Agency Endowment Funds

The Foundation reports charitable agency and non-agency donor contributions in accordance with the guidance contained in ASC Topic 958, *Not-for-Profit Entities*:

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

Notes to Financial Statements

Non-Agency Endowment Funds: Donations received from individuals or non-agency charitable organizations are reported as unrestricted charitable donations. The Foundation 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. The Foundation maintains these donated assets into component funds aligned with donor intentions.

Allocation Methodology for the Schedule of Functional Expenses

The cost of providing various programs and activities has been summarized in the schedule of functional expenses. Certain costs have been allocated among program, management and general, and fundraising. Such allocations have been made by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Program grants and distributions	Direct
Accounting and legal	Direct
Annual report	Direct
Community workshops	Direct
Contract services	Direct
Depreciation	Direct/Time and Effort
Fees	Direct
Insurance	Direct
Office expenses	Direct/Time and Effort
Marketing and outreach	Direct
Meetings and conferences	Time and effort
Membership	Direct
Miscellaneous	Direct
Postage	Direct
Printing	Direct
Rent	Direct/Time and Effort
Repairs and maintenance	Direct/Time and Effort
Salaries, benefits and payroll taxes	Direct/Time and Effort
Social Impact Institute	Direct
Stewardship of donors	Direct
Taxes and licenses	Direct
Travel	Time and Effort
Utilities	Direct/Time and Effort
Web and software	Time and Effort

Recently Adopted Accounting Pronouncements

Nonfinancial Contributions

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The Organization adopted ASU 2020-7 beginning January 1, 2022.

Notes to Financial Statements

Contributed nonfinancial assets are recorded at the respective fair value of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration and fundraising; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Leases

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Notes to Financial Statements

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of the index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Foundation's operating leases of approximately \$749,799 and \$749,799, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Note 3. Liquidity and Availability

The Foundation has \$841,766 and \$774,044 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial assets, at year-end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,485,962	\$ 1,547,644
Contributions and other receivables	25,453	366,424
Investments	<u>8,334,977</u>	<u>9,784,993</u>
Total financial assets	<u>9,846,392</u>	<u>11,699,061</u>
Less those unavailable for general expenditure within one year, due to:		
Donor advised funds	3,437,531	4,640,052
Designated funds	1,086,284	1,363,785
Field of interest funds	2,678,729	2,996,571
Scholarship funds	991,560	965,514
Fiscal sponsors	22,807	22,787
Agency funds	462,715	569,884
Restricted by donor or time	<u>325,000</u>	<u>366,424</u>
Financial assets not available to be used within one year	<u>9,004,626</u>	<u>10,925,017</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 841,766</u>	<u>\$ 774,044</u>

Notes to Financial Statements

Note 4. Contributions Receivable

The Foundation had an outstanding contribution receivable of \$25,453 and \$366,424 at December 31, 2022 and 2021, respectively. As the receivable was paid to the Foundation subsequent to year-end, no allowance or present value discount was recorded at December 31, 2022 or 2021.

Note 5. Agency Endowment Funds Held

Agency endowment funds for 2022 and 2021, is summarized as follows:

Agency endowment funds, December 31, 2020	\$ 505,492
Charitable agency funds received	10,500
Investment return, net	73,627
Fees and grant distributions	<u>(19,735)</u>
Agency endowment funds, December 31, 2021	569,884
Charitable agency funds received	2,575
Investment return, net	(89,948)
Fees and grant distributions	<u>(19,796)</u>
Agency endowment funds, December 31, 2022	<u>\$ 462,715</u>

Note 6. 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. Long-term investments, including endowments as well as other funds, as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>		
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
Cash and cash equivalents	\$ 302,380	\$ 302,380	\$ --
Certificates of deposits	311,776	311,776	--
Exchange traded funds	2,625,789	2,571,652	(54,137)
Equities	1,716,167	1,980,687	264,520
Fixed income securities	864,501	812,548	(51,953)
Mutual funds	<u>2,250,291</u>	<u>2,355,934</u>	<u>105,643</u>
	<u>\$ 8,070,904</u>	<u>\$ 8,334,977</u>	<u>\$ 264,073</u>

Notes to Financial Statements

	2021		
	Cost	Fair Market Value	Unrealized Appreciation
Cash and cash equivalents	\$ 128,196	\$ 128,196	\$ --
Certificates of deposits	211,684	211,684	--
Exchange traded funds	4,661,073	5,587,675	926,602
Equities	721,515	918,204	196,689
Fixed income securities	822,514	836,003	13,489
Mutual funds	1,699,118	2,103,231	404,113
	\$ 8,244,100	\$ 9,784,993	\$ 1,540,893

Investment return, net consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 231,831	\$ 199,505
Net realized investment gains	230,150	634,889
Net unrealized investment (loss) gain	(1,702,675)	267,236
Investment fees	(28,748)	(28,176)
	\$ (1,269,442)	\$ 1,073,454

Note 7. Administrative Income

The Foundation's policy is to assess each fund a fee up to one percent (1%) of its market value to offset administrative costs. The Foundation also assess up to two (2%) on pass-through funds and up to three (3%) percent fee on scholarship funds. This inter-fund entry is eliminated for financial statement presentation.

Note 8. Contributed Services

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Notes to Financial Statements

The Foundation received the following contributed services and non-financial assets during the years ended December 31, 2022 and 2021, which are included in the statements of activities:

	2022	2021
Financial technical services	\$ - -	\$ 2,063

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Financial technical services were provided by a donor who advised on various financial technical matters. Contributed technical services were used for management and general activities and were recognized at fair value based on current rates for similar services.

The Foundation does not have a policy to monetize any contributed non-financial assets received; the Foundation intends to use any other in-kind contributions for its program and support services.

Note 9. Legacies Not Yet Recognizable

The Foundation is the beneficiary of various wills and trust agreements. The total realizable amount is not presently determinable. Such amounts will be recognized in the financial statements when clear title is established, and the proceeds are measurable.

Note 10. Lease Commitments

The Foundation is the lessee of office space in Leesburg, Virginia. The Foundation entered into a lease agreement during 2019 requiring monthly payments of \$6,667 per month with an annual increase of 3%. The original lease term is May 1, 2019 through May 1, 2024, with two three year extensions through May 1, 2030.

The following table presents the maturity of the Foundation's operating lease liability on an undiscounted cash flow basis and reconciliation of the operating lease liability recognized in the Foundation's statement of financial position as of December 31, 2022:

2023	\$	89,167
2024		91,841
2025		94,597
2026		97,435
2027		100,358
Thereafter		245,675
		719,073
Imputed interest		(43,959)
Present value of operating lease payments	\$	675,114

Notes to Financial Statements

Rent expense for the year ended December 31, 2022 and 2021 was \$96,677 and \$84,048, respectively. As of December 31, 2022, the Foundation's weighted average discount rate was 1.66% and weighted average remaining lease term was 7.33 years.

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 325,000	\$ 366,424

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 366,424	\$ 372,932

Note 12. Fair Value of Financial 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Notes to Financial Statements

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The assets or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash Equivalents: Money market funds and other cash equivalents are valued at a constant net asset value of \$1.00 per share, which approximates fair market value. Money market funds are primarily invested in short-term US Treasury and government backed securities. There are no limitations on redemption or unfunded commitments related to these investments. Fair value is determined using Level 1 inputs.

Certificates of Deposit: Certificates of deposit are valued by the custodians using pricing models based on time to maturity and stated interest rates and are classified within Level 2.

Fixed Income Securities, Equity Securities, Exchange Traded Funds, and Mutual Funds: Equity securities and mutual funds, for which a quoted market price is available on an active market, are valued according to Level 1 inputs.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets measured at fair value as of December 31, 2022 and 2021:

<u>Investment</u>	2022		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 302,380	\$ --	\$ --
Certificates of deposit	--	311,776	--
Exchange traded funds	2,571,652	--	--
Equities	1,980,687	--	--
Fixed income securities	812,548	--	--
Mutual funds	2,355,934	--	--
	<u>\$ 8,023,201</u>	<u>\$ 311,776</u>	<u>\$ --</u>

Notes to Financial Statements

Investment	2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 128,196	\$ --	\$ --
Certificates of deposit	--	211,684	--
Exchange traded funds	5,587,675	--	--
Equities	918,204	--	--
Fixed income securities	836,003	--	--
Mutual funds	2,103,231	--	--
	\$ 9,573,309	\$ 211,684	\$ --

Note 13. Commitments and Contingencies

On October 1, 2018, the Foundation pledged up to a \$330,000 grant over a multi-year period. Multiple annual installments of up to \$110,000 were contingent upon certain conditions. In November 2019, the Foundation granted one installment of \$55,834 after conditions were met. No installment was provided during the 2020 calendar year. A second installment of \$55,834 was issued in April 2021. A third and final installment of \$86,333 was issued in February 2022 fulfilling the obligation.

Note 14. Retirement Plan

The Foundation provides up to a 3% match to all participating employees through a Simple IRA. Participating employees make discretionary contributions. The Foundation made 3% contributions to the plan for the years ended December 31, 2022 and 2021 of \$7,924 and \$7,094, respectively.

Note 15. Property and Equipment

A summary of property and equipment as of December 31, 2022 and 2021 is as follows:

	2022	2021
Leasehold improvements	\$ 56,519	\$ 56,519
Furniture and fixtures	24,789	24,789
	81,308	81,308
Less accumulated depreciation	33,715	23,482
	\$ 47,593	\$ 57,826

Notes to Financial Statements

Note 16. Schedules of Functional Expenses

A breakdown of expenses by nature and function for the years ended December 31, 2022 and 2021 are as follows:

	2022			
	Program	Management and General	Fundraising	Total
Program grants and distributions	\$ 2,658,733	\$ --	\$ --	\$ 2,658,733
Accounting and legal	--	26,088	--	26,088
Annual report	4,400	--	--	4,400
Community workshops	14,208	--	--	14,208
Contract services	209,129	--	--	209,129
Depreciation	9,539	602	91	10,232
Fees	16,001	--	--	16,001
Insurance	3,818	1,814	--	5,632
Office expenses	9,957	628	89	10,674
Marketing and outreach	58,048	--	--	58,048
Meetings and conferences	6,949	438	66	7,453
Membership	18,872	--	--	18,872
Miscellaneous	138	9	1	148
Postage	1,552	--	--	1,552
Printing	4,396	--	--	4,396
Lease expense	90,132	5,685	860	96,677
Repairs and maintenance	4,466	282	43	4,791
Salaries, benefits and payroll taxes	273,858	29,078	14,351	317,287
Social Impact Institute	22,707	--	--	22,707
Stewardship of donors	4,423	--	--	4,423
Taxes and licenses	350	--	--	350
Travel	618	39	6	663
Utilities	7,089	447	68	7,604
Web and software	27,339	1,480	224	29,043
	\$ 3,446,722	\$ 66,590	\$ 15,799	\$ 3,529,111

Notes to Financial Statements

	2021			
	Program	Management and General	Fundraising	Total
Program grants and distributions	\$ 1,828,164	\$ --	\$ --	\$ 1,828,164
Accounting and legal	17,609	11,110	167	28,886
Annual report	4,024	--	--	4,024
Community workshops	4,158	--	--	4,158
Contract services	184,845	--	--	184,845
Depreciation	9,259	584	88	9,931
Fees	16,159	--	--	16,159
Insurance	4,023	1,941	--	5,964
Office expenses	11,803	739	112	12,654
Marketing and outreach	164,987	--	--	164,987
Meetings and conferences	1,374	78	12	1,464
Membership	18,875	--	--	18,875
Miscellaneous	280	--	--	280
Postage	907	--	--	907
Printing	955	--	--	955
Rent	78,363	4,940	745	84,048
Repairs and maintenance	6,198	391	59	6,648
Salaries, benefits and payroll taxes	248,440	28,200	14,030	290,670
Social Impact Institute	27,095	--	--	27,095
Stewardship of donors	885	--	--	885
Taxes and licenses	364	--	--	364
Utilities	8,850	558	84	9,492
Web and software	37,165	1,844	278	39,287
	\$ 2,674,782	\$ 50,385	\$ 15,575	\$ 2,740,742

Note 17. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 26, 2023, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.

**COMMUNITY FOUNDATION FOR LOUDOUN
AND NORTHERN FAUQUIER COUNTIES**

Schedules of Operations

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Support and Revenue		
General support contributions	\$ 559,123	\$ 486,649
Administration fees	126,934	125,496
Investment income	4,290	2,731
In-kind	--	2,063
Other income	<u>12,911</u>	<u>24,081</u>
Total support and revenue	<u>703,258</u>	<u>641,020</u>
Expenses		
Accounting and legal	26,088	28,886
Annual report	4,400	4,024
Community workshops	10,023	4,158
Contact services	4,109	25,123
Depreciation	9,329	9,329
Fundraising	--	--
Grants from annual fund	71,005	40,663
Insurance	5,632	3,250
Interest	--	--
Marketing and outreach	18,420	18,699
Membership	15,975	15,270
Miscellaneous	1,144	625
Office expenses	9,803	9,874
Postage	1,552	907
Printing	2,309	774
Rent and lease expense	86,569	84,048
Repairs and maintenance	4,790	6,648
Research and development	7,428	1,329
Salary, benefits and payroll taxes	316,834	290,668
Stewardship of donors	849	885
Taxes and licenses	350	364
Travel	663	--
Utilities and telephone	7,603	9,492
Web and software	<u>23,668</u>	<u>30,765</u>
Total expenses	<u>628,543</u>	<u>585,781</u>
Net operations	<u>\$ 74,715</u>	<u>\$ 55,239</u>