

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.  
(a nonprofit organization)**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2019  
with Summarized Comparative Information for the year ended June 30,  
2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Community Foundation for Northern Virginia, Inc.  
Alexandria, Virginia

We have audited the accompanying financial statements of The Community Foundation for Northern Virginia, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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 misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 Foundation'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, 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 Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Renner and Company, CPA, P.C.*

Alexandria, Virginia  
November 5, 2019

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019 (with Comparative Information as of June 30, 2018)**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,293,449	\$ 1,145,838
Account receivable	14,000	12,400
Prepaid expenses	52,406	68,632
Deposit	<u>17,188</u>	<u>22,866</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,377,043</u>	<u>1,249,736</u>
<b>PROPERTY AND EQUIPMENT, AT COST, NET</b>	<u>24,653</u>	<u>26,844</u>
<b>OTHER ASSETS</b>		
Investments	<u>71,056,691</u>	<u>55,199,868</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 72,458,387</u></u>	<u><u>\$ 56,476,448</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,663	\$ 10,012
Grants payable	35,500	1,399,175
Accrued expenses	50,800	50,100
Deferred revenue	<u>152,478</u>	<u>116,440</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>249,441</u>	<u>1,575,727</u>
<b>NET ASSETS</b>		
Without donor restrictions	66,656,172	49,334,292
With donor restrictions	<u>5,552,774</u>	<u>5,566,429</u>
<b>TOTAL NET ASSETS</b>	<u>72,208,946</u>	<u>54,900,721</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 72,458,387</u></u>	<u><u>\$ 56,476,448</u></u>

See Notes to Financial Statements.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019 (with Summarized Comparative Information for the year ended June 30, 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE</b>				
Contributions	\$ 20,273,680	\$ 510	\$ 20,274,190	\$ 13,816,570
Investment income	3,131,124	302,305	3,433,429	1,999,222
Fee income	672,198	-	672,198	593,292
Other income	44,877	-	44,877	65,010
Net assets released from restrictions	316,470	(316,470)	-	-
<b>TOTAL REVENUE</b>	<b>24,438,349</b>	<b>(13,655)</b>	<b>24,424,694</b>	<b>16,474,094</b>
<b>EXPENSES</b>				
Program services	6,087,895	-	6,087,895	7,695,822
Support services				
Management and general	435,658	-	435,658	365,232
Fundraising	592,916	-	592,916	649,515
Total support services	1,028,574	-	1,028,574	1,014,747
<b>TOTAL EXPENSES</b>	<b>7,116,469</b>	<b>-</b>	<b>7,116,469</b>	<b>8,710,569</b>
<b>CHANGE IN NET ASSETS</b>	<b>17,321,880</b>	<b>(13,655)</b>	<b>17,308,225</b>	<b>7,763,525</b>
<b>NET ASSETS, beginning of year</b>	<b>49,334,292</b>	<b>5,566,429</b>	<b>54,900,721</b>	<b>47,137,196</b>
<b>NET ASSETS, end of year</b>	<b>\$ 66,656,172</b>	<b>\$ 5,552,774</b>	<b>\$ 72,208,946</b>	<b>\$ 54,900,721</b>

See Notes to Financial Statements.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019 (with Summarized Comparative Information for the year ended June 30, 2018)**

	2019			2018	
	Program Services	General and Administrative	Fundraising	Total	Total
Grants	\$ 5,096,246	\$ -	\$ -	\$ 5,096,246	\$ 6,861,906
Salaries and benefits	263,361	225,738	263,360	752,459	688,890
Scholarships	305,074	-	-	305,074	311,600
Payroll taxes	17,686	15,160	17,686	50,532	42,989
Bank and investment fees	343,481	3,616	14,462	361,559	278,794
Entertainment	-	-	101,633	101,633	95,466
Contract labor	7,254	3,627	61,654	72,535	62,828
Technology subscriptions	16,855	16,850	16,849	50,554	49,183
Office expenses	2,149	31,185	7,385	40,719	31,365
Website and network services	2,011	33,266	2,011	37,288	19,366
Other	11,450	7,213	16,329	34,992	43,336
Rent	-	31,729	-	31,729	24,297
Printing and postage	8,884	1,481	19,249	29,614	29,829
Consignment	-	-	22,158	22,158	14,777
Accounting	-	21,092	-	21,092	20,704
Advertising	-	-	20,883	20,883	17,786
Dues, subscriptions and publications	-	18,185	994	19,179	17,662
Community partnerships	9,904	485	8,403	18,792	23,760
In-kind expenses:					
Donor cultivation	-	-	4,962	4,962	4,592
Marketing services	-	-	4,200	4,200	5,500
Legal services	-	4,195	-	4,195	16,100
Office rental	-	-	-	-	14,711
Printing services	-	-	-	-	7,999
Insurance	-	9,938	-	9,938	10,749
Conferences and training	2,526	2,526	3,371	8,423	5,776
Marketing	-	1,503	6,013	7,516	5,746
Depreciation	-	7,001	-	7,001	2,198
Payroll services	1,014	868	1,014	2,896	2,660
Bad debt	-	-	300	300	-
<b>TOTAL EXPENSES</b>	<b>\$ 6,087,895</b>	<b>\$ 435,658</b>	<b>\$ 592,916</b>	<b>\$ 7,116,469</b>	<b>\$ 8,710,569</b>

See Notes to Financial Statements.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019 (with Comparative Information for the year ended June 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Support and revenue	\$ 3,688,955	\$ 6,690,697
Interest and dividend income	1,719,313	1,260,454
	<u>5,408,268</u>	<u>7,951,151</u>
Total cash received from operations		
Cash disbursed by operations		
Payments to employees, grantees, and suppliers	8,449,888	7,349,052
	<u>(3,041,620)</u>	<u>602,099</u>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(24,041,901)	(17,977,342)
Proceeds from sales of investments	27,235,942	17,483,768
Purchase of property and equipment	(4,810)	(25,417)
	<u>3,189,231</u>	<u>(518,991)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	<u>147,611</u>	<u>83,108</u>
<b>CASH, beginning of year</b>	<u>1,145,838</u>	<u>1,062,730</u>
<b>CASH, end of year</b>	<u>\$ 1,293,449</u>	<u>\$ 1,145,838</u>
<b>NON CASH INVESTING ACTIVITIES</b>		
Unrealized gain in fair value of investments	\$ (397,866)	\$ (170,130)
Increase in investment fair value	397,866	170,130
In-kind stock donation	(16,664,801)	(7,237,638)
Increase in investment fair value	16,664,801	7,237,638
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.



**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019 (with Comparative Information for the year ended June 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<u>\$ 17,308,225</u>	<u>\$ 7,763,525</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	7,001	2,198
Unrealized gain on investment	(397,866)	(170,130)
Realized gain on investment	(1,988,197)	(1,161,930)
Donated stock	<u>(16,664,801)</u>	<u>(7,237,638)</u>
<b>NET ADJUSTMENTS</b>	<u>(19,043,863)</u>	<u>(8,567,500)</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH</b>		
<b>ASSETS</b>		
Accounts receivable	(1,600)	(12,400)
Prepaid expenses	16,226	507
Deposit	<u>5,678</u>	<u>(14,100)</u>
	<u>20,304</u>	<u>(25,993)</u>
<b>LIABILITIES</b>		
Accounts payable	651	7,447
Grants payable	(1,363,675)	1,348,475
Accrued expenses	700	16,990
Deferred revenue	<u>36,038</u>	<u>59,155</u>
	<u>(1,326,286)</u>	<u>1,432,067</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>(1,305,982)</u>	<u>1,406,074</u>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (3,041,620)</u></u>	<u><u>\$ 602,099</u></u>

See Notes to Financial Statements.

## **THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

#### **1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization and Purpose**

The Community Foundation for Northern Virginia, Inc. (the Foundation) is a nonprofit public charity that was established in 1978 to meet a wide variety of social, educational, cultural and other charitable needs throughout Northern Virginia. The mission of the Foundation is to grow philanthropy to help meet the most critical needs of the region. The Foundation accomplishes its mission in two primary ways: First, it develops donor advised funds (both endowed and pass-through) from which grants are recommended by the donors who establish them. Second, it develops discretionary funds for organizational grant making to help meet the most critical needs of the region. The Foundation performs all administrative aspects of grant making from both donor advised funds and discretionary funds, including due diligence inquiries to the intended grantees, reporting, managing grant and scholarship program, accounting and investments.

##### **Significant Accounting Policies**

###### **Basis of Accounting**

The Foundation maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

###### **Classes of Assets**

In accordance with U.S. GAAP, the Foundation's net assets are classified into two categories: net assets without donor restrictions and net assets with donor restrictions.

###### **Net Assets Without Donor Restriction**

The Foundation includes operating net assets which are available for the general operations of the Association as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summary Significant Accounting Policies (Continued)**

**Classes of Assets (Continued)**

**Net Assets With Donor Restriction**

The Foundation reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned with donor restricted funds held by the Foundation are recorded as an increase or decrease in net assets without donor restriction.

**Endowments**

The Foundation's Endowments are accounted for in accordance with the Endowments of Not-for-Profit Organizations accounting guidance, 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"). The Foundation has made the required disclosures as stated in Note 7. As of June 30, 2019 and 2018, the Foundation does not have any board designated endowment funds.

**Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires that management use assumptions, estimates and judgments that affect the reported amounts and classifications of assets, liabilities, revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

The Foundation's cash includes cash on hand and cash deposited in banks. For the purpose of reporting on the Statement of Cash Flows, cash includes interest-bearing and non-interest-bearing demand deposit accounts. The Foundation does not consider short-term investments contained in its investment portfolio to be cash equivalents. Highly liquid money market funds and similar accounts are included within the Foundation's investment portfolios and have been classified as investments in the Statements of Financial Position, given the intent that those funds be used in the routine management of the investment portfolio. There were no cash equivalents as of June 30, 2019 and 2018.

**Investments**

Investments are reported at fair value and realized and unrealized gains and losses are reported in the Statements of Activities as increases or decreases in the Statement of Activities.

The Foundation invests in various investment instruments which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the value of investment securities may have occurred subsequent to year end that could materially affect the amounts reported in the Statement of Financial Position.

**Property and Equipment**

Property and equipment are recorded at cost. All property and equipment acquisitions in excess of \$1,500 are capitalized at cost. Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summary of Significant Accounting Policies (Continued)**

**Functional Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs such as salaries and benefits, payroll taxes, bank and investment fees, contract labor, technology subscriptions, office expenses, website and network services, other, printing and postage, dues, subscriptions, and publications, community partnerships, conferences and training, marketing, and payroll services have been allocated among the programs and supporting services benefited based on level of effort.

**Deferred Revenue**

Deferred revenue consists of sponsorships and other monies received in advance for use in future periods. Sponsorships for fundraising events are recognized as revenue when the event is held.

**Income Taxes**

The Foundation is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to exempt purpose. This code section enables the Foundation to accept donations that qualify as charitable contributions to the donor. In accordance with U.S. GAAP, the Foundation has concluded there are no uncertain tax positions as of June 30, 2019 and 2018.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not than the position will not be sustained upon examination. Management evaluated the Foundation's tax position and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of the guidance.

**Donated Services and Materials**

The Foundation receives donated cultivation, marketing, legal and accounting services. This donated support is recognized as unrestricted support at their estimated fair values and as an expense in the appropriate functional expense category. See Note 9 for details of the amount of in-kind contributions provided.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summary of Significant Accounting Policies (Continued)**

**Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Reclassification**

Certain account balances within the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

**Liquidity**

The Foundation maintains a liquid cash balance in checking accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Foundation reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Foundation's monthly financial reporting process.

The Foundation's financial assets available within one year to meet cash needs for general expenditures through June 30, 2020 are as follows:

Financial Assets	
Cash	\$ 1,293,449
Accounts receivable	14,000
Investments	71,056,691
Total Financial assets	<u>72,364,140</u>
Less amounts not available within one year	
Purpose restricted net assets	(5,552,774)
Donor advised funds	<u>(57,885,420)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 8,925,946</u></u>

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**2. CASH**

Cash as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Checking and money market accounts	\$ 1,292,946	\$ 1,145,778
Petty cash	503	60
	<u>\$ 1,293,449</u>	<u>\$ 1,145,838</u>

The Foundation maintains its cash balances at several different financial institutions in the United States. As of June 30, 2019 and 2018, cash not insured by the Federal Deposit Insurance Corporation was \$920,148 and \$641,674, respectively.

**3. PROPERTY AND EQUIPMENT**

Property and depreciation for the year ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>			
	<u>Cost</u>	<u>Depreciation expense</u>	<u>Accumulated depreciation</u>	<u>Estimated useful life (years)</u>
Furniture and equipment	\$ 22,395	\$ 1,555	\$ 16,559	3-7
Equipment	43,907	1,255	41,159	7
Leasehold improvements	37,041	4,191	20,972	3
	<u>\$ 103,343</u>	<u>\$ 7,001</u>	<u>\$ 78,690</u>	
	<u>2018</u>			
	<u>Cost</u>	<u>Depreciation expense</u>	<u>Accumulated depreciation</u>	<u>Estimated useful life (years)</u>
Furniture and equipment	\$ 19,934	\$ 635	\$ 15,004	3-7
Equipment	41,558	863	39,904	7
Leasehold improvements	37,041	700	16,781	3
	<u>\$ 98,533</u>	<u>\$ 2,198</u>	<u>\$ 71,689</u>	

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**4. INVESTMENTS**

Investments are recorded at fair value and consist of the following at June 30, 2019 and 2018:

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$ 10,187,973	\$ 10,187,973	\$ -
Common stock			
Basic materials	74,937	81,389	6,452
Communication services	275,526	319,288	43,762
Consumer cyclical	336,949	430,181	93,232
Consumer defensive	216,893	243,254	26,361
Consumer discretionary	835,244	1,573,049	737,805
Consumer staples	181,699	213,771	32,072
Energy	310,579	409,443	98,864
Financial	1,302,879	1,834,240	531,361
Healthcare	1,195,080	1,418,740	223,660
Industrials	514,492	656,435	141,943
Materials	97,394	114,556	17,162
Real estate	147,144	166,730	19,586
Technology	2,147,279	2,769,378	622,099
Telecommunication	68,611	484,608	415,997
Utilities	243,426	307,301	63,875
Corporate bonds	6,429,910	6,651,319	221,409
Equity exchange traded fund	19,550,993	22,366,214	2,815,221
Government bonds	887,689	896,470	8,781
Mutual funds			
Bank loan	28,813	28,227	(586)
Corporate bond	65,667	69,123	3,456
Diversified emerging markets	2,745,906	2,979,694	233,788
Energy limited partnership	66,974	70,143	3,169
Foreign large blend	588,489	570,736	(17,753)
Foreign large growth	277,205	301,946	24,741
Foreign large value	173,083	169,114	(3,969)
Foreign small/mid blend	48,211	49,766	1,555
Foreign small/mid growth	66,202	65,437	(765)
Global real estate	128,778	133,788	5,010
Government	7,971	8,087	116



**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**4. INVESTMENTS (CONTINUED)**

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds (Continued)			
High yield bond	\$ 152,907	\$ 150,651	\$ (2,256)
Inflation-projected bond	47,207	47,405	198
Intermediate core-plus bond	2,478,557	2,505,493	26,936
Intermediate government	59,060	59,284	224
Intermediate-term bond	1,180,555	1,182,770	2,215
Large blend	2,319,625	2,556,726	237,101
Large growth	741,735	876,362	134,627
Large value	1,008,009	1,075,083	67,074
Long-short credit	70,000	67,648	(2,352)
Long-short equity	271,380	277,875	6,495
Managed futures	97,107	93,371	(3,736)
Market neutral	16,666	17,504	838
Mid blend	403,859	374,191	(29,668)
Mid growth	51,795	51,516	(279)
Mid value	18,716	20,149	1,433
Mid-cap blend	223,041	237,200	14,159
Mid-cap growth	308,764	378,259	69,495
Mid-cap value	265,049	286,085	21,036
Moderate growth	12,482	13,278	796
Multi sector	53,929	52,799	(1,130)
Multialternative	338,713	344,530	5,817
Multicurrency	64,368	59,422	(4,946)
Multisector bond	537,755	532,435	(5,320)
Nontraditional bond	167,340	163,740	(3,600)
Options-based	172,354	172,811	457
Preferred stock	421,968	411,563	(10,405)
Real estate	274,741	288,901	14,160
Short-term bond	300,929	306,871	5,942
Small blend	279,394	294,413	15,019
Small Cap value	42,644	40,697	(1,947)
Small growth	222,611	237,834	15,223
Small value	239,467	238,160	(1,307)
World allocation	137,024	149,072	12,048
World Bond	616,996	636,090	19,094
World Large Stock	58,257	92,098	33,841

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**4. INVESTMENTS (CONTINUED)**

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Preferred stock	\$ 344,813	\$ 529,225	\$ 184,412
U.S. bonds	631,515	664,780	33,265
Total	<u>\$ 63,833,328</u>	<u>\$ 71,056,691</u>	<u>\$ 7,223,363</u>
	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	\$ 11,082,181	\$ 11,082,181	\$ -
Common stock			
Consumer discretionary	837,559	1,373,123	535,564
Energy	296,249	404,180	107,931
Financial	741,483	1,181,832	440,349
Healthcare	474,777	585,034	110,257
Industrials	199,716	309,301	109,585
Information technology	659,261	1,039,436	380,175
Materials	75,543	92,040	16,497
Real estate	23,516	25,617	2,101
Telecommunication	203,103	506,265	303,162
Utilities	148,294	159,362	11,068
Corporate bonds	5,159,726	5,080,552	(79,174)
Equity exchange traded fund	13,989,999	15,996,827	2,006,828
Government bonds	254,471	252,660	(1,811)
Mutual funds			
Bank loan	56,022	55,458	(564)
Corporate bond	66,100	64,508	(1,592)
Emerging markets bond	230,606	211,754	(18,852)
Global real estate	251,071	255,485	4,414
High yield bond	130,654	135,715	5,061
Inflation-projected bond	96,526	95,129	(1,397)
Intermediate government	34,986	33,949	(1,037)
Intermediate-term bond	3,136,408	3,026,012	(110,396)
Large blend	5,346,329	5,943,571	597,242
Large growth	1,264,360	1,546,615	282,255
Large value	1,375,023	1,528,400	153,377

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**4. INVESTMENTS (CONTINUED)**

	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds (Continued)			
Mid blend	\$ 1,015,374	\$ 1,049,587	\$ 34,213
Mid growth	436,112	514,123	78,011
Mid value	305,036	317,645	12,609
Multicurrency	75,000	68,315	(6,685)
Multisector bond	357,630	349,427	(8,203)
Nontraditional bond	399,535	395,512	(4,023)
Short-term bond	43,961	43,150	(811)
Small blend	205,473	195,303	(10,170)
Small growth	93,144	147,299	54,155
Small value	35,555	47,786	12,231
Ultra short bond	35,142	35,125	(17)
World bond	214,975	397,783	182,808
Accrued Interest	10,258	10,258	-
Preferred stock	71,420	71,429	9
U.S. bonds	572,196	572,120	(76)
Total	<u>\$ 50,004,774</u>	<u>\$ 55,199,868</u>	<u>\$ 5,195,094</u>

Investment income consisted of the following for the year ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 1,719,313	\$ 1,260,454
Realized and unrealized gain on investments	2,386,063	1,332,060
Investment fees	<u>(671,947)</u>	<u>(593,292)</u>
	<u>\$ 3,433,429</u>	<u>\$ 1,999,222</u>

## **THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

#### **5. FAIR VALUE MEASUREMENTS**

The Foundation's classification of fair value for investments is based on the framework established by U.S. GAAP. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in GAAP include a hierarchy based on whether significant valuation inputs are observable. The three levels of the hierarchy are as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets the Foundation has the ability to access.

Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Investments in alternative investments are typically valued, as a practical expedient, utilizing the net asset valuation provided by the underlying private investment companies and their administrators, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with U.S. GAAP for investment companies. The Foundation applies the practical expedient to its investments in alternative investments, unless it is different from the net asset valuation. If it is probable that the Foundation will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Foundation considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

Investments in alternative investments are included in Level 3 of the fair value hierarchy. In determining the level, the Foundation considers the length of the time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. The Foundation also considers the nature of the portfolio of the underlying private investment companies and their ability to liquidate their underlying investments.

Pooled investment funds are valued at the Net Asset Value (NAV) provided by the underlying investment managers based on the shares held by the Plan at year end. Valuations provided by investment managers including estimates, appraisals, assumptions, and methods are reviewed by management. When necessary, the Plan adjusts NAV for contributions, distributions, or general market conditions subsequent to the latest NAV valuation date when calculating fair value. Because the Plan uses NAV as a practical expedient for fair value for its pooled funds, these investments are excluded from the fair value hierarchy.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**5. FAIR VALUE MEASUREMENTS (CONTINUED)**

The Foundation recognizes transfers between levels of the fair value hierarchy at the end of the period in which events occur impacting the availability of inputs to the fair value methodology. There were no transfers between fair value hierarchy levels for the years ended June 30, 2019 and 2018.

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2019 and 2018:

	2019			
	Fair Value	Level 1	Level 2	NAV
Cash and cash equivalents	\$ 10,187,973	\$ 2,293,005	\$ -	\$ 7,894,968
Common stock	11,022,363	11,022,363	-	-
Corporate bonds	6,651,319	-	2,346,338	4,304,981
Equity exchange traded fund	22,366,214	13,182,449	-	9,183,765
Government bonds	896,470	-	377,340	519,130
Mutual funds	18,738,347	17,927,205	-	811,142
Preferred Stock	529,225	-	529,225	-
U.S. bonds	664,780	-	664,780	-
	<u>\$ 71,056,691</u>	<u>\$ 44,425,022</u>	<u>\$ 3,917,683</u>	<u>\$ 22,713,986</u>
	2018			
	Fair Value	Level 1	Level 2	NAV
Cash and cash equivalents	\$ 11,082,181	\$ 1,818,453	\$ -	\$ 9,263,728
Common stock	5,676,190	5,676,190	-	-
Corporate bonds	5,080,552	-	5,080,552	-
Equity exchange traded fund	15,996,827	9,903,525	-	6,093,302
Government bonds	252,660	-	252,660	-
Mutual funds	16,467,909	15,669,782	-	798,127
Preferred Stock	71,429	-	71,429	-
U.S. bonds	572,120	-	572,120	-
	<u>\$ 55,199,868</u>	<u>\$ 33,067,950</u>	<u>\$ 5,976,761</u>	<u>\$ 16,155,157</u>

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**6. NET ASSETS WITH DONOR RESTRICTION**

A summary of activity in net assets with donor restriction for the year ended June 30, 2019 and 2018 is as follows:

	2019			
	Balance at June 30, 2018	Revenue and Support	Released	Balance at June 30, 2019
Education programs	\$ 2,530,050	\$ 135,745	\$ (148,378)	\$ 2,517,417
Health programs	2,759,100	167,070	(153,092)	2,773,078
Community specific programs	277,279	-	(15,000)	262,279
<b>Total</b>	<b>\$ 5,566,429</b>	<b>\$ 302,815</b>	<b>\$ (316,470)</b>	<b>\$ 5,552,774</b>
	2018			
	Balance at June 30, 2017	Revenue and Support	Released	Balance at June 30, 2018
Education programs	\$ 2,533,867	\$ 169,224	\$ (173,041)	\$ 2,530,050
Health programs	2,718,833	167,543	(127,276)	2,759,100
Community specific programs	283,202	27,179	(33,102)	277,279
<b>Total</b>	<b>\$ 5,535,902</b>	<b>\$ 363,946</b>	<b>\$ (333,419)</b>	<b>\$ 5,566,429</b>

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**7. ENDOWMENT FUNDS**

At June 30, 2019, The Foundation's endowment consists of 3 donor restricted funds established for educational and health purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. The donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 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, and (7) the Foundation's investment policies.

For the years ended June 30, 2019 and 2018, the endowment funds had the following activity:

	2019	2018
Net assets, beginning of year	\$ 2,357,480	\$ 2,307,441
Interest and dividends	73,257	78,885
Change in fair value of investments	78,853	82,414
Authorized expenditures	<u>(103,051)</u>	<u>(111,260)</u>
Net assets, end of year	<u>\$ 2,406,539</u>	<u>\$ 2,357,480</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 and 2018.

**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**7. ENDOWMENT FUNDS (CONTINUED)**

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. However, in some instances the investment or spending policies may be superseded by specific requirements or donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested so as to achieve a reasonable rate of return relative to the board equity and fixed income markets across the full business cycle.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The goal of the Foundation's spending policy is to provide a reasonable, predictable, and sustainable structure that supports the intentions of the original endowment. The policy is designed to ensure that the Foundation remains a perpetual and meaningful provider of funds and services to the community by seeking preservation of its endowment assets. Expenditure requests from endowment funds are submitted to the Foundation for approval, and are released for payment upon approval. Expenditures are awarded in accordance with donor stipulations.

**8. CONCENTRATIONS**

For the years ended June 30, 2019 and 2018, the Foundation recognized support of \$17,111,475 from seven major donors and \$9,417,554 from nine major donors, respectively.



**THE COMMUNITY FOUNDATION FOR NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)**

**9. DONATED SERVICES**

The Foundation receives in-kind contributions from members of the Board of Directors and other companies. The fair value of the services received for the year ended June 30, 2019 and 2018 were as follows:

	2019	2018
Donor cultivation	\$ 4,962	\$ 4,592
Marketing	4,200	5,500
Legal and accounting	4,195	16,100
Office rental	-	14,711
Printing	-	7,999
	<u>\$ 13,357</u>	<u>\$ 48,902</u>

**10. COMMITMENTS - OFFICE LEASE**

The Foundation entered into a three-year lease agreement for office space which expired April 30, 2017 and was renewed for an additional 84 months period ending April 2023. Rental expense for the year ended June 30, 2019 and 2018 was \$31,729 and \$24,297, respectively.

As of June 30, 2019, future minimum lease payments are as follows:

2020	\$ 32,768
2021	38,523
2022	42,622
2023	29,960
	<u>\$ 143,873</u>

**11. SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 5, 2019, the date the financial statements were available to be issued.