

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

**Leesburg, Virginia**

**FINANCIAL REPORT**

**December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2019 and 2018, the related statements of activities and cash flows for the years 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.

### Auditor's 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 of 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 auditor's 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Community Foundation for Loudoun and Northern Fauquier Counties as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 audit 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  
June 10, 2020

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

**Statements of Financial Position**  
December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,625,462	\$ 1,296,103
Contributions receivable	454,998	175,000
Prepaid expenses	16,003	6,667
Other current assets	6,947	--
Investments	<u>6,393,669</u>	<u>4,452,418</u>
	<u>8,497,079</u>	<u>5,930,188</u>
<b>Property and Equipment, net</b>	<u>72,574</u>	<u>--</u>
Total assets	<u>\$ 8,569,653</u>	<u>\$ 5,930,188</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 33,771	\$ 34,707
Agency endowment funds	<u>430,086</u>	<u>378,270</u>
	<u>463,857</u>	<u>412,977</u>
 <b>Net Assets</b>		
Net assets without donor restrictions:		
Donor advised funds	3,673,224	1,999,785
Designated funds	997,308	932,593
Field of interest funds	1,713,751	1,310,716
Scholarship funds	783,422	687,753
Fiscal sponsors	35,767	--
Unrestricted funds	<u>445,724</u>	<u>278,014</u>
	7,649,196	5,208,861
Net assets with donor restrictions	<u>456,600</u>	<u>308,350</u>
Total net assets	<u>8,105,796</u>	<u>5,517,211</u>
Total liabilities and net assets	<u>\$ 8,569,653</u>	<u>\$ 5,930,188</u>

See Notes to Financial Statements.

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

**Statement of Activities**

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 3,207,366	\$ 456,600	\$ 3,663,966
In-kind contributions	48,498	--	48,498
Component fund special events, net of expenses	16,577	--	16,577
Investment return, net	732,875	--	732,875
Other income	4,482	--	4,482
	<u>4,009,798</u>	<u>456,600</u>	<u>4,466,398</u>
Net assets released from restrictions	<u>308,350</u>	<u>(308,350)</u>	<u>--</u>
Total support and revenue	<u>4,318,148</u>	<u>148,250</u>	<u>4,466,398</u>
<b>Expenses</b>			
Grants and distributions	1,184,771	--	1,184,771
Program expenses	551,785	--	551,785
Supporting services:			
Accounting and legal	37,404	--	37,404
Insurance	3,176	--	3,176
Depreciation	2,332	--	2,332
Fundraising	77	--	77
General and administrative	42,088	--	42,088
Occupancy and telephone	56,180	--	56,180
Total expenses	<u>1,877,813</u>	<u>--</u>	<u>1,877,813</u>
Change in net assets	2,440,335	148,250	2,588,585
<b>Net Assets, beginning of year</b>	<u>5,208,861</u>	<u>308,350</u>	<u>5,517,211</u>
<b>Net Assets, end of year</b>	<u>\$ 7,649,196</u>	<u>\$ 456,600</u>	<u>\$ 8,105,796</u>

See Notes to Financial Statements.

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

**Statement of Activities**

For the Year Ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 2,695,551	\$ 308,800	\$ 3,004,351
In-kind contributions	52,746	--	52,746
Component fund special events, net of expenses	57,727	--	57,727
Investment return, net	(306,860)	--	(306,860)
Other income	4,036	--	4,036
	2,503,200	308,800	2,812,000
Net assets released from restrictions	175,626	(175,626)	--
Total support and revenue	2,678,826	133,174	2,812,000
<b>Expenses</b>			
Grants and distributions	1,072,345	--	1,072,345
Program expenses	337,564	--	337,564
Supporting services:			
Accounting and legal	31,169	--	31,169
Insurance	2,401	--	2,401
Fundraising	1,530	--	1,530
General and administrative	31,537	--	31,537
Occupancy and telephone	25,805	--	25,805
Total expenses	1,502,351	--	1,502,351
Change in net assets	1,176,475	133,174	1,309,649
<b>Net Assets, beginning of year</b>	<b>4,032,386</b>	<b>175,176</b>	<b>4,207,562</b>
<b>Net Assets, end of year</b>	<b>\$ 5,208,861</b>	<b>\$ 308,350</b>	<b>\$ 5,517,211</b>

See Notes to Financial Statements.

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

**Statements of Cash Flows**

For the Years Ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,588,585	\$ 1,309,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on sale of investments	11,883	(133,573)
Unrealized (gain) loss on investments	(618,206)	551,558
Depreciation	2,332	--
Changes in assets and liabilities:		
(Increase) in other current assets	(279,998)	--
(Increase) decrease in prepaid expenses	(9,336)	4,791
(Increase) in other current assets	(6,947)	--
Increase (decrease) in agency endowment funds	51,816	(42,776)
(Decrease) increase in accounts payable and accrued expenses	(936)	21,075
Net cash provided by operating activities	1,739,193	1,710,724
 <b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(74,906)	--
Purchase of investments	(4,743,368)	(4,901,400)
Proceeds from sale of investments	3,408,440	2,943,235
Net cash (used in) investing activities	(1,409,834)	(1,958,165)
 Net change in cash and cash equivalents	329,359	(247,441)
 <b>Cash and Cash Equivalents</b>		
Beginning of year	1,296,103	1,543,544
End of year	\$ 1,625,462	\$ 1,296,103
 <b>Supplemental Disclosure of Cash Flow Information,</b> in-kind contributions	\$ 48,498	\$ 52,746

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 \$2,332 at December 31, 2019. The Foundation’s property and equipment were fully depreciated December 31, 2018.

## Notes to Financial Statements

### 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.

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 2019, income tax reporting years open for IRS audit includes 2016, 2017 and 2018.

### 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.

## Notes to Financial Statements

### 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.

*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/Time and Effort
Annual report	Direct
Community workshops	Direct
Contract services	Direct
Depreciation	Direct/Time and Effort
Fees	Direct
Fundraising	Direct
Insurance	Direct
Interest	Direct
Office expenses	Time and effort
Marketing and outreach	Direct
Meetings and conferences	Time and effort
Membership	Direct
Miscellaneous	Direct
Postage	Time and effort
Printing	Direct
Rent	Direct/Time and Effort
Repairs and maintenance	Direct
Salary and payroll taxes	Time and effort
Stewardship of donors	Direct
Taxes and licenses	Time and effort
Travel	Direct
Utilities	Time and effort
Web and software	Time and effort

## Notes to Financial Statements

### New Accounting Pronouncements

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. Accordingly, there is no effect on net assets in connection with our implementation of Topic 606.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for its year ending December 31, 2022. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

## Notes to Financial Statements

### Note 3. Liquidity and Availability

The Foundation has \$487,916 and \$213,216 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:	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 1,625,462	\$ 1,296,103
Contributions receivable	454,998	175,000
Investments	6,393,669	4,452,418
Total financial assets	8,474,129	5,923,521
Less those unavailable for general expenditure within one year, due to:		
Donor advised funds	3,632,404	1,956,895
Designated funds	969,158	907,743
Field of interest funds	1,692,751	1,298,911
Scholarship funds	769,447	685,953
Fiscal sponsors	35,767	--
Other	--	174,183
Agency funds	430,086	378,270
Restricted by donor or time	456,600	308,350
Financial assets not available to be used within one year	7,986,213	5,710,305
Financial assets available to meet cash needs for general expenditures within one year	\$ 487,916	\$ 213,216

### Note 4. Contributions Receivable

The Foundation had one outstanding contribution receivable of \$454,998 and \$175,000 at December 31, 2019 and 2018, respectively. As the receivable was paid to the Foundation subsequent to year-end, no allowance or present value discount was recorded at December 31, 2019 or 2018.

## Notes to Financial Statements

### Note 5. Agency Endowment Funds Held

Agency endowment funds for 2019 and 2018, is summarized as follows:

Agency endowment funds, January 1, 2018	\$	421,046
Charitable agency funds received		12,000
Investment return, net		(33,826)
Fees and grant distributions		<u>(20,950)</u>
Agency endowment funds, December 31, 2018		378,270
Charitable agency funds received		2,400
Investment return, net		67,178
Fees and grant distributions		<u>(17,762)</u>
Agency endowment funds, December 31, 2019	\$	<u><u>430,086</u></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, 2019 and 2018, are as follows:

	<b>2019</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Appreciation</b>
Cash and cash equivalents	\$ 919,173	\$ 919,173	\$ - -
Exchange traded funds	2,615,851	2,884,708	268,857
Equities	30,975	39,343	8,368
Fixed income securities	888,332	917,212	28,880
Mutual funds	<u>1,526,734</u>	<u>1,633,233</u>	<u>106,499</u>
	<u>\$ 5,981,065</u>	<u>\$ 6,393,669</u>	<u>\$ 412,604</u>
		<b>2018</b>	
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized (Depreciation)</b>
Cash and cash equivalents	\$ 577,703	\$ 577,703	\$ - -
Exchange traded funds	1,895,409	1,761,116	(134,293)
Fixed income securities	620,241	614,548	(5,693)
Mutual funds	<u>1,606,314</u>	<u>1,499,051</u>	<u>(107,263)</u>
	<u>\$ 4,699,667</u>	<u>\$ 4,452,418</u>	<u>\$ (247,249)</u>

## Notes to Financial Statements

Investment return, net consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 138,502	\$ 114,649
Net realized investment gains	(11,883)	133,573
Net unrealized investment (loss) gain	618,206	(551,558)
Investment fees	(11,950)	(3,524)
	\$ 732,875	\$ (306,860)

Subsequent to year-end, the COVID-19 crisis in the United States and throughout the global market has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Foundation's investments may have incurred a significant decline in fair value since December 31, 2019.

### 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 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 the 2019 and 2018 donated services, is as follows:

	2019	2018
Accounting services	\$ - -	\$ 3,535
Printing and design	1,338	2,967
Rent	14,000	24,300
Legal	11,080	4,114
Executive coaching program	18,780	16,000
Other	3,300	1,830
	\$ 48,498	\$ 52,746

## Notes to Financial Statements

### 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. Leases

The Foundation has office space in the Healthworks building in Leesburg, Virginia. Healthworks is providing the space to the Foundation without charge or stated end date. In 2019 and 2018, \$14,000 and \$24,300 of rent was recorded as in-kind.

During 2019, the Foundation entered into an agreement to rent office space for an initial base rent of \$6,667 per month with an annual increase of 2%. The lease term is August 1, 2019 through May 1, 2024. The future minimum lease payments are as follows:

2020	\$	81,000
2021		83,430
2022		85,933
2023		88,511
2024		30,014
	\$	<u>368,888</u>

Rent expense for the year ended December 31, 2019 and 2018 was \$49,087 and \$24,300, respectively.

### Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
New office costs and operating expenses	\$ - -	\$ 124,550
Program operations	4,600	- -
Strategic plan	- -	8,800
Time restricted	<u>452,000</u>	<u>175,000</u>
	<u>\$ 456,600</u>	<u>\$ 308,350</u>



## Notes to Financial Statements

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
New office costs and operating expenses	\$ 124,550	\$ 450
Strategic plan	8,800	176
Time restricted	<u>175,000</u>	<u>175,000</u>
	<u>\$ 308,350</u>	<u>\$ 175,626</u>

### 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.

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.

## Notes to Financial Statements

*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 Organization's assets measured at fair value as of December 31, 2019 and 2018:

<u>Investment</u>	<b>2019</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 919,173	\$ --	\$ --
Exchange traded funds	2,884,708	--	--
Equities	39,343	--	--
Fixed income securities	917,212	--	--
Mutual funds	1,633,233	--	--
	<u>\$ 6,393,669</u>	<u>\$ --</u>	<u>\$ --</u>

  

<u>Investment</u>	<b>2018</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 577,703	\$ --	\$ --
Exchange traded funds	1,761,116	--	--
Fixed income securities	614,548	--	--
Mutual funds	1,499,051	--	--
	<u>\$ 4,452,418</u>	<u>\$ --</u>	<u>\$ --</u>

### Note 13. Commitments and Contingencies

On October 1, 2018, the Organization pledged up to a \$330,000 grant over a three-year period. The three installments of up to \$110,000 are contingent upon certain conditions. In November 2019, the Organization granted one installment of \$55,834 after conditions were met.

### Note 14. Retirement Plan

The Foundation provides a 3% match to all participating employees through a Simple IRA. Participating employees make discretionary contributions. The Foundation made contributions to the plan for the years ended December 31, 2019 and 2018 of \$6,118 and \$3,068, respectively.

## Notes to Financial Statements

### Note 15. Schedules of Functional Expenses

A breakdown of expenses by nature and function for the years ended December 31, 2019 and 2018 are as follows:

	2019			
	Program	Management and General	Fundraising	Total
Program grants and distributions	\$ 1,184,771	\$ --	\$ --	\$ 1,184,771
Accounting and legal	24,311	12,286	807	37,404
Annual report	3,010	--	--	3,010
Community workshops	17,837	--	--	17,837
Contract services	210,374	--	--	210,374
Depreciation	2,124	135	73	2,332
Fees	--	--	8,756	8,756
Fundraising	--	--	77	77
Insurance	2,074	1,102	--	3,176
Interest	46	--	--	46
Office expenses	9,462	1,063	578	11,103
Marketing and outreach	39,797	--	--	39,797
Meetings and conferences	5,161	580	315	6,056
Membership	13,745	--	--	13,745
Miscellaneous	2,847	5,133	--	7,980
Postage	1,316	148	80	1,544
Printing	6,153	--	--	6,153
Rent	45,047	3,455	585	49,087
Repairs and maintenance	2,443	274	149	2,866
Salary and payroll taxes	192,627	21,650	11,743	226,020
Stewardship of donors	1,093	--	--	1,093
Taxes and licenses	592	--	--	592
Travel	3,048	--	--	3,048
Utilities	6,279	571	243	7,093
Web and software	28,854	3,240	1,759	33,853
	\$ 1,803,011	\$ 49,637	\$ 25,165	\$ 1,877,813

## Notes to Financial Statements

	2018			
	Program	Management and General	Fundraising	Total
Program grants and distributions	\$ 1,072,345	\$ --	\$ --	\$ 1,072,345
Accounting and legal	4,114	27,055	--	31,169
Annual report	4,571	--	--	4,571
Community workshops	3,817	--	--	3,817
Contract Services	83,185	--	--	83,185
Fees	13,937	--	--	13,937
Fundraising	--	--	1,530	1,530
Insurance	1,160	1,241	--	2,401
In-kind rent	21,407	2,417	476	24,300
Interest	21	--	--	21
Office expenses	3,754	446	271	4,471
Marketing and outreach	48,840	--	--	48,840
Meetings and conferences	6,850	--	--	6,850
Membership	8,546	--	--	8,546
Miscellaneous	3,142	--	4,822	7,964
Postage	817	97	59	973
Printing	3,004	--	--	3,004
Research and development	499	--	--	499
Salary and payroll taxes	134,839	17,244	10,449	162,532
Stewardship of donors	4,929	--	--	4,929
Taxes and licenses	559	--	--	559
Travel	609	--	--	609
Utilities	1,326	150	29	1,505
Web and software	12,379	1,182	233	13,794
	\$ 1,434,650	\$ 49,832	\$ 17,869	\$ 1,502,351

### Note 16. Subsequent Events

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Management is unable to quantify the financial and other impact to the Foundation.

Subsequent to year-end, the Foundation applied for a loan under the Paycheck Protection Program in the amount of \$43,800. As of the date of the financial statements, the application has been approved and funds have been received in full.

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 12, 2020, the date the financial statements were available to be issued. The Foundation has determined there are no additional subsequent events that require recognition or disclosure.

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

**Schedules of Operations**

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Support and Revenue</b>		
General support contributions	\$ 537,090	\$ 403,213
Administration fees	64,430	51,760
Investment income	11,757	6,041
In-kind	29,718	35,015
Other income	11,206	--
Total support and revenue	<u>654,201</u>	<u>496,029</u>
<b>Expenses</b>		
Accounting and legal	37,404	31,169
Annual report	3,010	4,571
Community workshops	13,139	1,793
Contact services	11,396	--
Depreciation	2,429	--
Fundraising	77	1,530
Grants from annual fund	28,459	11,450
Insurance	3,176	2,082
In-kind rent	14,000	24,300
Interest	46	21
Office expenses	10,876	4,209
Marketing and outreach	38,410	34,774
Meetings and conferences	3,280	5,768
Membership	13,100	8,546
Miscellaneous	5,057	9,248
Postage	1,478	916
Printing	2,171	788
Rent	35,087	--
Repairs and maintenance	2,866	
Research and development	--	499
Salary and payroll taxes	226,020	162,532
Taxes and licenses	592	524
Travel	1,820	609
Utilities	7,093	1,505
Web and software	14,290	11,888
Total expenses	<u>475,276</u>	<u>318,722</u>
Net operations	<u>\$ 178,925</u>	<u>\$ 177,307</u>

See Independent Auditor's Report