COMMUNITY FOUNDATION OF THE
NORTHERN SHENANDOAH VALLEY

Winchester, Virginia

FINANCIAL STATEMENTS

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation of the Northern Shenandoah Valley
Winchester, Virginia

Opinion

We have audited the accompanying financial statements of the Community Foundation of the Northern Shenandoah Valley ("the Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, and the change 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 within one year after the date that the financial statements are available to be issued when applicable).

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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
May 17, 2022

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

Statements of Financial Position

December 31, 2021 and 2020

Assets	**2021**	**2020**
Cash and cash equivalents	$ 76,068	$ 238,649
Prepaid expenses	4,613	5,328
Fixed assets, net	1,429	389
Investments, at fair value	12,908,465	9,197,174
Total assets	$ 12,990,575	$ 9,441,540
Liabilities		
Accounts payable and accrued liabilities	$ 1,443	$ 1,942
Note payable	- -	15,700
Funds held for others	156,876	238,905
Agency funds	2,383,000	1,657,230
Total liabilities	$ 2,541,319	$ 1,913,777
Net Assets		
Net assets without donor restrictions		
Donor advised endowment	$ 4,514,945	$ 2,733,625
Scholarship endowment	1,601,948	1,102,832
Designated endowment	3,794,186	3,259,604
Other endowment without donor restrictions	474,685	376,189
Other	63,492	55,513
Total net assets without donor restrictions	$ 10,449,256	$ 7,527,763
Total liabilities and net assets	$ 12,990,575	$ 9,441,540

See Notes to Financial Statements.

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

Statements of Activities

For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenue		
Contributions	$ 1,820,924	$ 2,164,190
Government grant - forgiveness of Paycheck Protection Program note payable	15,700	- -
Administrative fees	22,870	16,426
Special events, net of expenses of $9,125 and $4,947	2,155	(3,272)
Investment return, net of fees	1,447,208	639,021
Total revenue	$ 3,308,857	$ 2,816,365
Expenses		
Grants and distributions	$ 278,620	$ 173,335
Contract services	11,459	2,435
Amortization expense	- -	4,000
Depreciation expense	641	495
Dues and subscriptions	2,530	1,425
Fees and other	1,770	604
Insurance	1,612	1,632
Interest	100	- -
Office expenses	15,307	12,486
Wages and taxes	63,379	64,396
Professional fees	9,061	16,627
Rent	2,885	2,831
Total expenses	$ 387,364	$ 280,266
Change in net assets	$ 2,921,493	$ 2,536,099
Net assets, beginning of year	7,527,763	4,991,664
Net assets, end of year	$ 10,449,256	$ 7,527,763

See Notes to Financial Statements.

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

		2021		2020
Cash Flows from Operating Activities				
Change in net assets	$	2,921,493	$	2,536,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		641		4,495
Net realized and unrealized (gain) on investments		(1,161,228)		(547,175)
Forgiveness of Paycheck Protection Program note payable		(15,700)		- -
Changes in assets and liabilities:				
Decrease (increase) in prepaid expenses		715		(25)
(Decrease) increase in accounts payable, accrued liabilities and funds held for others		(82,528)		95,589
Increase in agency endowment funds		725,770		100,814
Net cash provided by operating activities	$	2,389,163	$	2,189,797
Cash Flows from Investing Activities				
Purchase of fixed assets	$	(1,681)	$	- -
Proceeds from sale of investments		2,031,026		1,716,576
Purchase of investments		(4,581,089)		(3,844,846)
Net cash (used in) investing activities	$	(2,551,744)	$	(2,128,270)
Cash Flows from Financing Activities,				
proceeds from note payable	$	- -	$	15,700
Net change in cash and cash equivalents	$	(162,581)	$	77,227
Cash and Cash Equivalents				
Beginning		238,649		161,422
Ending	$	76,068	$	238,649

See Notes to Financial Statements.

Note 1. The Organization

The Community Foundation of the Northern Shenandoah Valley ("the Foundation") is a non-profit, non-stock corporation located in Winchester, Virginia. The Community Foundation of the Northern Shenandoah Valley was organized in 2001 and operates as a public foundation. The Organization enhances the quality of life in Winchester and the Northern Shenandoah Valley in Virginia by inspiring philanthropy and civic engagement, empowering donors and community partners and providing stewardship of community resources.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been impacted for months and beyond. Governments and their citizens have taken significant and unprecedented measures to mitigate the consequences of the pandemic. Management continues to monitor the situation and evaluate its options. No adjustments have been made to these financial statements as a result of this uncertainty.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Foundation's cash is maintained at one bank which, at times, may exceed federally insured limits. The Foundation has not experienced any losses on its account and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Prepaid Expenses

Prepaid expenses include amounts paid in advance.

Fixed Asset

The Foundation records any fixed asset purchased at cost. Any fixed asset that is donated to the Foundation is stated at its fair market value at the time of donation. Depreciation is determined by the straight-line method. The estimated useful life for the Foundation's equipment is 3 years. Depreciation expense for the years ended December 31, 2021 and 2020 was $641 and $495, respectively.

Intangible Asset

The Foundation's intangible asset relates to software implementation costs. Amortization is determined by the straight-line method. The estimated useful life for the Foundation's software is 3 years. Amortization expense for the years ended December 31, 2021 and 2020 was $0 and $4,000, respectively. The software became fully amortized by December 31, 2020.

Investments

Investments are measured at fair value in the statements of financial position. Investment return is included in the statements of activities, net of any fees.

Fair Value Measurement

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 asset 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:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Agency Funds

Agency funds are established for transactions in which a community foundation accepts a contribution from a charitable agency donor and agrees to transfer those assets, the return on investment of those assets or both back to the charitable agency donor.

The Foundation maintains variance power and legal ownership of agency funds and, as such, continues to report the funds as assets of the Foundation. Corresponding liability accounts have been established for these funds.

Net Assets

According to the Foundation’s governing documents, the Foundation has the right and power to vary the use of gifts from their original donor prescribed purpose. Based on this variance power, the Foundation classifies all net assets as net assets without donor restrictions, unless otherwise noted below.

The Foundation reports information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated among two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consists of net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and Board of Directors. Net assets with donor restrictions consist of net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation, the passage of time, or maintained in perpetuity. There were no net assets with donor restrictions as of December 31, 2021 and 2020.

Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation.

Advertising

The Foundation follows the policy of charging the costs of advertising to expense as incurred. The Organization did not incur any advertising costs during the years ending December 31, 2021 and 2020, respectively.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue Recognition Methodology for Exchange Transactions

For exchange transactions, the Foundation recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any mounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

Revenue Recognition Methodology for Contributions

Contributions are recognized as revenue when they are received or unconditionally promised.

The Foundation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that 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.

Gifts of property and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donor - restricted contributions whose restrictions are met in the same year as received are classified as contributions without donor restrictions in the accompanying financial statements.

Conditional promises to give – that is, those with a measurable performance barrier or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been substantially met. There were no conditional promises to give or refundable advances as of December 31, 2021 and 2020.

Revenue Streams

The Foundation receives various sources of revenue. Contributions are recognized when received. Administrative fees are recognized over time, as the Foundation maintains fund assets. The Foundation recognizes revenue for special events when the event is held.

Allocation Methodology for the Schedules of Functional Expenses

The costs of providing program and supporting services are summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. These expenses that were allocated included the following:

Expense	Method of Allocation
Grants and distributions	Direct Allocation
Contract services	Time and Effort/ Direct Allocation
Amortization expense	Direct Allocation
Depreciation expense	Direct Allocation
Dues and subscriptions	Direct Allocation
Fees and other	Direct Allocation
Insurance	Direct Allocation
Interest	Direct Allocation
Office expenses	Time and Effort
Wages and taxes	Time and Effort
Professional fees	Direct Allocation
Rent	Direct Allocation

Note 3. Liquidity and Availability of Resources

The Foundation has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure:

Financial assets, at year-end:	2021	2020
Cash and cash equivalents	$ 76,068	$ 238,649
Investments, at fair market value	12,908,465	9,197,174
Total financial assets	$ 12,984,533	$ 9,435,823
Less those unavailable for general expenditure within one year, due to:		
Agency funds	$ 2,383,000	$ 1,657,230
Donor advised endowment	4,514,945	2,733,625
Scholarship endowment	1,601,948	1,102,832
Designated endowment	3,794,186	3,259,604
Other endowment without donor restrictions	474,685	376,189
Funds held for others	156,876	238,905
Financial assets not available to be used within one year	$ 12,925,640	$ 9,368,385
Financial assets available to meet cash needs for general expenditures within one year	$ 58,893	$ 67,438

Note 4. Investments

Investments as of December 31, 2021 and 2020, were as follows:

Summary by Type of Investment	2021 Cost	2021 Fair Market Value	2021 Unrealized Appreciation
Cash and cash equivalents	$ 450,619	$ 450,619	$ - -
Mutual funds	8,410,081	10,728,215	2,318,134
Exchange traded funds	1,418,865	1,729,631	310,766
	$ 10,279,565	$ 12,908,465	$ 2,628,900

Summary by Type of Investment	2020 Cost	2020 Fair Market Value	2020 Unrealized Appreciation
Cash and cash equivalents	$ 243,159	$ 243,159	$ - -
Stocks	19,815	20,088	273
Mutual funds	6,809,057	8,115,419	1,306,362
Exchange traded funds	720,687	818,508	97,821
	$ 7,792,718	$ 9,197,174	$ 1,404,456

Investment return, net consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	$ 325,087	$ 123,617
Realized (loss) gain	186,271	(69,609)
Unrealized gain (loss)	974,957	616,784
Investment fees	(39,107)	(31,771)
	$ 1,447,208	$ 639,021

Note 5. Fair Value Measurements

The following table presents the balance of assets measured at fair value on a recurring basis as of December 31, 2021 and 2020:

Summary by Type of Investment	2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 450,619	$ --	$ --	$ 450,619
Mutual funds	10,728,215	--	--	10,728,215
Exchange traded funds	1,729,631	--	--	1,729,631
	$ 12,908,465	$ --	$ --	$ 12,908,465

Summary by Type of Investment	2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 243,159	$ --	$ --	$ 243,159
Stocks	20,088	--	--	20,088
Mutual funds	8,115,419	--	--	8,115,419
Exchange traded funds	818,508	--	--	818,508
	$ 9,197,174	$ --	$ --	$ 9,197,174

Note 6. Commitments and Contingencies, Related Party Transaction and Subsequent Event

The Foundation entered into a three-year office space lease on July 1, 2020. Rent is payable in equal monthly installments of $238 for the first year, with a 2% increase per annum for the remainder of the lease. Total rent expense for the years ended December 31, 2021 and 2020 was $2,885 and $2,831, respectively. Maturities under the lease are as follows:

December 31,	
2022	$ 2,942
2023	1,486
	$ 4,428

A board member of the Foundation owns the company that leases the office space to the Foundation. At the end of 2021, the property was sold and the Foundation will have a new landlord, the City of Winchester, effective January 1, 2022.

Note 7. Schedules of Functional Expenses

The schedules of functional expenses as of December 31, 2021 and 2020 were as follows:

2021	Program Services	Management and General	Fundraising	Total
Grants and distributions	$ 278,620	$ - -	$ - -	$ 278,620
Contract services	7,448	3,438	573	11,459
Depreciation expense	- -	641	- -	641
Dues and subscriptions	2,530	- -	- -	2,530
Fees and other	- -	1,770	- -	1,770
Insurance	- -	1,612	- -	1,612
Interest	- -	100	- -	100
Office expenses	7,653	7,654	- -	15,307
Wages and taxes	- -	57,041	6,338	63,379
Professional fees	- -	9,061	- -	9,061
Rent	- -	2,885	- -	2,885
	$ 296,251	$ 84,202	$ 6,911	$ 387,364

2020	Program Services	Management and General	Fundraising	Total
Grants and distributions	$ 173,335	$ - -	$ - -	$ 173,335
Contract services	1,600	751	84	2,435
Amortization expense	- -	4,000	- -	4,000
Depreciation expense	- -	495	- -	495
Dues and subscriptions	1,425	- -	- -	1,425
Fees and other	- -	604	- -	604
Insurance	- -	1,632	- -	1,632
Office expenses	6,243	6,243	- -	12,486
Payroll and taxes	- -	57,956	6,440	64,396
Professional fees	- -	16,627	- -	16,627
Rent	- -	2,831	- -	2,831
	$ 182,603	$ 91,139	$ 6,524	$ 280,266

Note 8. Line of Credit

The Foundation has a $30,000 unsecured revolving line of credit with First Bank, which matures on April 24, 2023. The interest rate fluctuated based on changes in the prime rate. The interest rate on this line of credit was no less than 4.5% per annum or more than the maximum rate allowed by applicable law. The line of credit had a zero balance as of December 31, 2021 and 2020.

Note 9. Funds Held as Agency Funds

The following table summarizes activity in agency funds for the years ended December 31, 2021 and 2020:

	2021	2020
Agency fund balance, beginning of the year	$ 1,657,230	$ 1,556,416
Amounts raised	451,157	172,000
Investment return, net of fees	310,742	126,251
Expenses	(36,129)	(197,437)
Agency fund balance, end of the year	$ 2,383,000	$ 1,657,230

Note 10. Contributed Services

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are providing by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation did not receive any contributions of services during 2021 or 2020.

Note 11. Administrative Fees

The Foundation’s policy is to assess each component fund a total annual fee up to 2 percent. The fee is calculated and assessed monthly based on current fair market value. Such amounts are transferred to a discretionary fund without donor restrictions to offset administrative costs.

Note 12. Subsequent Events

The Foundation has evaluated all subsequent events through May 17, 2022 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.

Note 13. Upcoming Accounting Pronouncements

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 in calendar year 2022. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosure 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. ASU No. 2020-07 is effective for the Foundation in calendar year 2022. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 14. Note Payable

On March 27, 2020, and as a result of COVID-19, the Coronavirus Aid, Relief and Economic Security Act (or CARES Act) became part of U.S. Law. One of the provisions of the CARES Act is the Paycheck Protection Program, which is intended to provide economic relief to small businesses in order for them to maintain payroll and cover other qualifying overhead costs. During 2020, the Foundation received an uncollateralized loan in the amount of $15,700 through the Paycheck Protection Program. Interest rate on the loan was 1% with maturity two years from the date of the loan. Payments were deferred until a determination of the amount of forgiveness was made by the U.S. Small Business Administration (SBA). The Foundation received forgiveness on May 10, 2021 and the loan was recognized as revenue in the statement of activities for the year ended December 31, 2021.