

**COMMUNITY FOUNDATION OF THE
NORTHERN SHENANDOAH VALLEY**

Winchester, Virginia

FINANCIAL STATEMENTS

December 31, 2025

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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 financial statements of the Community Foundation of the Northern Shenandoah Valley ("the Foundation"), which comprise the statements of financial position as of December 31, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gount, Hyde & Barbour, P.C.

Winchester, Virginia
May 28, 2026

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

Statements of Financial Position

December 31, 2025 and 2024

Assets	2025	2024
Cash and cash equivalents	\$ 275,892	\$ 221,619
Prepaid expenses	-	3,325
Fixed assets, net	520	1,205
Investments, at fair value	<u>18,315,474</u>	<u>16,247,261</u>
 Total assets	 <u><u>\$ 18,591,886</u></u>	 <u><u>\$ 16,473,410</u></u>
 Liabilities		
Accounts payable and accrued liabilities	\$ 318	\$ 8,140
Agency funds	<u>2,967,363</u>	<u>2,833,115</u>
Total liabilities	<u><u>\$ 2,967,681</u></u>	<u><u>\$ 2,841,255</u></u>
 Net Assets		
Net assets without donor restrictions:		
Donor advised endowment	\$ 6,537,356	\$ 5,691,154
Scholarship endowment	3,182,891	2,400,109
Designated endowment	5,344,164	4,998,332
Other endowment without donor restrictions	477,900	448,459
Other	<u>81,894</u>	<u>94,101</u>
Total net assets without donor restrictions	<u><u>\$ 15,624,205</u></u>	<u><u>\$ 13,632,155</u></u>
 Total liabilities and net assets	 <u><u>\$ 18,591,886</u></u>	 <u><u>\$ 16,473,410</u></u>

See Notes to Financial Statements.

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

Statements of Activities

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenue		
Contributions	\$ 1,355,202	\$ 832,651
Administrative fees	29,286	27,987
Special events, net of expenses	13,083	5,661
Investment return, net of fees	<u>2,029,440</u>	<u>1,055,975</u>
Total revenue	<u>\$ 3,427,011</u>	<u>\$ 1,922,274</u>
Expenses		
Grants and distributions	\$ 1,240,172	\$ 805,566
Contract services	12,545	12,376
Depreciation expense	685	685
Dues and subscriptions	3,860	2,323
Fees and other	2,563	2,129
Insurance	2,356	1,666
Office expenses	31,909	32,951
Wages and taxes	123,416	100,367
Professional fees	14,155	13,312
Rent	<u>3,300</u>	<u>3,300</u>
Total expenses	<u>\$ 1,434,961</u>	<u>\$ 974,675</u>
Change in net assets	\$ 1,992,050	\$ 947,599
Net Assets, beginning of year	<u>13,632,155</u>	<u>12,684,556</u>
Net Assets, end of year	<u><u>\$ 15,624,205</u></u>	<u><u>\$ 13,632,155</u></u>

See Notes to Financial Statements.

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,992,050	\$ 947,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	685	685
Contributed stock	(448,864)	(378,992)
Net realized and unrealized (gain) on investments	(1,455,374)	(604,543)
Changes in assets and liabilities:		
Decrease in accounts receivable	--	800
Decrease in prepaid expenses	3,325	575
(Decrease) increase in accounts payable and accrued liabilities	(7,822)	7,671
Increase in agency endowment funds	<u>134,248</u>	<u>187,889</u>
Net cash provided by operating activities	<u>\$ 218,248</u>	<u>\$ 161,684</u>
 Cash Flows from Investing Activities		
Purchase of fixed assets	\$ --	\$ --
Proceeds from sale of investments	\$ 1,421,961	\$ 1,597,698
Purchase of investments	<u>(1,585,936)</u>	<u>(1,682,379)</u>
Net cash (used in) investing activities	<u>\$ (163,975)</u>	<u>\$ (84,681)</u>
 Net change in cash and cash equivalents	\$ 54,273	\$ 77,003
 Cash and Cash Equivalents		
Beginning	<u>221,619</u>	<u>144,616</u>
Ending	<u>\$ 275,892</u>	<u>\$ 221,619</u>
 Supplemental Disclosure of Noncash Information,		
fair market value of assets contributed	<u>\$ 448,864</u>	<u>\$ 378,992</u>

See Notes to Financial Statements.

COMMUNITY FOUNDATION OF THE NORTHERN SHENANDOAH VALLEY

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 Foundation 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.

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, 2025 and 2024 was \$685.

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.

Notes to Financial Statements

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.

Notes to Financial Statements

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, 2025 and 2024.

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 ended December 31, 2025 and 2024, 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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

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 amounts 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 met. There were no conditional promises to give or refundable advances as of December 31, 2025 and 2024.

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.

Notes to Financial Statements

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:

<u>Expense</u>	<u>Method of Allocation</u>
Grants and distributions	Direct Allocation
Contract services	Time and Effort
Depreciation expense	Direct Allocation
Dues and subscriptions	Direct Allocation
Fees and other	Direct Allocation
Insurance	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:

	<u>2025</u>	<u>2024</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 275,892	\$ 221,619
Investments, at fair market value	<u>18,315,474</u>	<u>16,247,261</u>
Total financial assets	<u>\$ 18,591,366</u>	<u>\$ 16,468,880</u>
Less those unavailable for general expenditure within one year, due to:		
Agency funds	\$ 2,967,363	\$ 2,833,115
Donor advised endowment	6,537,356	5,691,154
Scholarship endowment	3,182,891	2,400,109
Designated endowment	5,344,164	4,998,332
Other endowment without donor restrictions	<u>477,900</u>	<u>448,459</u>
Financial assets not available to be used within one year	<u>\$ 18,509,674</u>	<u>\$ 16,371,169</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 81,692</u>	<u>\$ 97,711</u>

Notes to Financial Statements

Note 4. Investments

Investments as of December 31, 2025 and 2024, were as follows:

Summary by Type of Investment	2025		
	Cost	Fair Market Value	Unrealized Appreciation
Cash and cash equivalents	\$ 17,608	\$ 17,608	\$ - -
Mutual funds	11,853,856	14,605,941	2,752,085
Exchange traded funds	2,702,905	3,691,925	989,020
	<u>\$ 14,574,369</u>	<u>\$ 18,315,474</u>	<u>\$ 3,741,105</u>

Summary by Type of Investment	2024		
	Cost	Fair Market Value	Unrealized Appreciation
Cash and cash equivalents	\$ 446,961	\$ 446,961	\$ - -
Mutual funds	10,962,050	12,642,759	1,680,709
Exchange traded funds	2,773,134	3,157,541	384,407
	<u>\$ 14,182,145</u>	<u>\$ 16,247,261</u>	<u>\$ 2,065,116</u>

Investment return, net consisted of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest and dividends	\$ 627,340	\$ 503,004
Realized gain	82,875	338,662
Unrealized gain	1,372,499	265,881
Investment fees	(53,274)	(51,572)
	<u>\$ 2,029,440</u>	<u>\$ 1,055,975</u>

Notes to Financial Statements

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, 2025 and 2024:

Summary by Type of Investment	2025			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 17,608	\$ --	\$ --	\$ 17,608
Mutual funds	14,605,941	--	--	14,605,941
Exchange traded funds	3,691,925	--	--	3,691,925
	<u>\$ 18,315,474</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 18,315,474</u>

Summary by Type of Investment	2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 446,961	\$ --	\$ --	\$ 446,961
Mutual funds	12,642,759	--	--	12,642,759
Exchange traded funds	3,157,541	--	--	3,157,541
	<u>\$ 16,247,261</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 16,247,261</u>

Note 6. Commitments and Contingencies

The Foundation entered into a one-year office space lease commencing on April 1, 2023. Rent is payable in equal monthly installments of \$275. As of April 1, 2024 the lease became month-to-month. Total rent expense for the years ended December 31, 2025 and 2024 was \$3,300 and \$3,300, respectively.

Note 7. Funds Held as Agency Funds

The following table summarizes activity in agency funds for the years ended December 31, 2025 and 2024:

	2025	2024
Agency fund balance, beginning of the year	\$ 2,833,115	\$ 2,645,226
Amounts raised	86,466	30,586
Investment return, net of fees	427,626	222,213
Expenses	(379,844)	(64,910)
Agency fund balance, end of the year	<u>\$ 2,967,363</u>	<u>\$ 2,833,115</u>

Notes to Financial Statements

Note 8. Schedules of Functional Expenses

The schedules of functional expenses for the years ended December 31, 2025 and 2024 were as follows:

2025	Program Services	Management and General	Fundraising	Total
Grants and distributions	\$ 1,240,172	\$ - -	\$ - -	\$ 1,240,172
Contract services	8,154	3,764	627	12,545
Depreciation expense	- -	685	- -	685
Dues and subscriptions	3,860	- -	- -	3,860
Fees and other	- -	2,563	- -	2,563
Insurance	- -	2,356	- -	2,356
Office expenses	15,954	15,955	- -	31,909
Wages and taxes	- -	111,074	12,342	123,416
Professional fees	- -	14,155	- -	14,155
Rent	- -	3,300	- -	3,300
	<u>\$ 1,268,140</u>	<u>\$ 153,852</u>	<u>\$ 12,969</u>	<u>\$ 1,434,961</u>

2024	Program Services	Management and General	Fundraising	Total
Grants and distributions	\$ 805,566	\$ - -	\$ - -	\$ 805,566
Contract services	8,044	3,713	619	12,376
Depreciation expense	- -	685	- -	685
Dues and subscriptions	2,323	- -	- -	2,323
Fees and other	- -	2,129	- -	2,129
Insurance	- -	1,666	- -	1,666
Office expenses	16,475	16,476	- -	32,951
Wages and taxes	- -	90,330	10,037	100,367
Professional fees	- -	13,312	- -	13,312
Rent	- -	3,300	- -	3,300
	<u>\$ 832,408</u>	<u>\$ 131,611</u>	<u>\$ 10,656</u>	<u>\$ 974,675</u>

Note 9. Line of Credit

The Foundation has a \$30,000 unsecured revolving line of credit with First Bank, which matures on April 24, 2027. The interest rate fluctuates based on changes in the prime rate. The interest rate on this line of credit was no less than 7% per annum or more than the maximum rate allowed by applicable law. The line of credit had a zero balance as of December 31, 2025 and 2024.

Notes to Financial Statements

Note 10. Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated property plant and equipment, materials and supplies, professional services, and other in-kind contributions which are recorded at the respective fair values of the good or services received. Contributed goods are recorded at fair value at the date of donation.

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. No significant contributions of such goods or services were received during 2025 or 2024.

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 28, 2026 the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.