



Combined Financial Statements

December 31, 2018 and 2017



4401 Dominion Boulevard  
Glen Allen, Virginia 23060  
Tel: 804.747.0000  
[www.keitercpa.com](http://www.keitercpa.com)

Community Foundation for a greater Richmond

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Governors of the  
Community Foundation for a greater Richmond

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of the Community Foundation for a greater Richmond (the "Foundation") and affiliated organizations, which comprise the combined statements of financial position as of December 31, 2018 and 2017, the related combined statements of activities and cash flows for the years then ended, the related combined statement of functional expenses for the year ended December 31, 2018, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Foundation and affiliated organizations as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## Adoption of New Accounting Standard Updates

As discussed in Note 2 to the combined financial statements, the Foundation and affiliated organizations adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. In addition and as discussed in Note 2 to the combined financial statements, the Foundation and affiliated organizations early adopted ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize assets and liabilities for the rights and obligations created by leases. Our opinion is not modified with respect to these matters.

## Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The 2018 supplemental information on pages 31 through 32 is presented for purposes of additional analysis and is not a required part of the basic combined 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 basic combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.



June 7, 2019  
Glen Allen, Virginia

Community Foundation for a greater Richmond

Combined Statements of Financial Position  
December 31, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 27,925,976	\$ 13,374,919
Investments, at fair value	697,243,739	732,796,140
Pledges, notes and other receivables	16,135,671	36,275,048
Prepaid expenses	222,719	185,929
Real estate held for sale	292,665	-
Property and equipment, net	866,118	165,657
Right of use asset	2,869,754	-
Cash surrender value of life insurance	43,995	40,623
Assets held in trust, at fair value	<u>77,752,127</u>	<u>89,631,983</u>
 Total assets	 <u>\$ 823,352,764</u>	 <u>\$ 872,470,299</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accrued expenses	\$ 765,522	\$ 369,331
Operating lease liability	2,924,949	-
Distributions payable	40,990,364	56,307,791
Liability under gift annuities	249,937	235,942
Liability under trust agreements	53,692,247	60,553,950
Funds held as agency endowments	<u>6,403,329</u>	<u>5,891,168</u>
 Total liabilities	 <u>105,026,348</u>	 <u>123,358,182</u>
Net assets:		
Without donor restrictions	410,690,620	418,526,119
With donor restrictions	<u>307,635,796</u>	<u>330,585,998</u>
 Total net assets	 <u>718,326,416</u>	 <u>749,112,117</u>
 Total liabilities and net assets	 <u>\$ 823,352,764</u>	 <u>\$ 872,470,299</u>

See accompanying notes to the combined financial statements.

Community Foundation for a greater Richmond

Combined Statement of Activities  
Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenue (losses):			
Contributions	\$ 43,010,314	\$ 12,756,668	\$ 55,766,982
Net change in value of investment in The Richmond Fund, LP	(3,374,888)	(712,485)	(4,087,373)
Net realized and unrealized loss on investments	(25,559,365)	(4,659,703)	(30,219,068)
Net investment income	2,917,317	3,176,974	6,094,291
Contributions to charitable trusts (net of the liability)	-	443,678	443,678
Investment income from trusts	179,380	65,508	244,888
Program service and other miscellaneous revenue	342,127	393,246	735,373
Income tax refund, net	4,302	-	4,302
Total support and revenue	<u>17,519,187</u>	<u>11,463,886</u>	<u>28,983,073</u>
Net assets released from restriction	<u>34,414,088</u>	<u>(34,414,088)</u>	<u>-</u>
Expenses			
Program:			
Grant distributions	(50,365,264)	-	(50,365,264)
Program expenses	(5,056,666)	-	(5,056,666)
Administrative	(2,939,095)	-	(2,939,095)
Fundraising	(1,407,749)	-	(1,407,749)
Total expenses	<u>(59,768,774)</u>	<u>-</u>	<u>(59,768,774)</u>
Change in net assets	(7,835,499)	(22,950,202)	(30,785,701)
Net assets, beginning of year	<u>418,526,119</u>	<u>330,585,998</u>	<u>749,112,117</u>
Net assets, end of year	<u>\$ 410,690,620</u>	<u>\$ 307,635,796</u>	<u>\$ 718,326,416</u>

See accompanying notes to the combined financial statements.

Community Foundation for a greater Richmond

Combined Statement of Activities  
Year Ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Support and revenue (losses):			
Contributions	\$ 94,310,334	\$ 30,457,971	\$ 124,768,305
Net change in value of investment in The Richmond Fund, LP	28,795,304	28,619,529	57,414,833
Net realized and unrealized gain on investments	15,511,512	2,495,995	18,007,507
Net investment income	3,025,920	2,610,788	5,636,708
Contributions to charitable trusts (net of the liability)	-	101,720	101,720
Investment income from trusts	174,978	62,039	237,017
Program service and other miscellaneous revenue	384,197	84,808	469,005
Income tax refund, net	23,553	-	23,553
Total support and revenue	<u>143,960,333</u>	<u>62,698,315</u>	<u>206,658,648</u>
Net assets released from restriction	<u>6,899,598</u>	<u>(6,899,598)</u>	<u>-</u>
Expenses:			
Grant and program distributions	(104,887,767)	-	(104,887,767)
Program and operating expenses	(6,377,200)	-	(6,377,200)
Other distributions	(1,900,786)	-	(1,900,786)
Total expenses	<u>(113,165,753)</u>	<u>-</u>	<u>(113,165,753)</u>
Change in net assets	35,959,643	57,533,252	93,492,895
Net assets, beginning of year	<u>382,566,476</u>	<u>273,052,746</u>	<u>655,619,222</u>
Net assets, end of year	<u>\$ 418,526,119</u>	<u>\$ 330,585,998</u>	<u>\$ 749,112,117</u>

See accompanying notes to the combined financial statements.

Community Foundation for a greater Richmond

Combined Statement of Functional Expenses  
Year Ended December 31, 2018

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 472	\$ -	\$ 76,554	\$ 77,026
Bank fees	11,916	5,958	5,958	23,832
Community Foundation program expenses	433,612	-	-	433,612
Conferences and meetings	110,359	32,064	32,064	174,487
Depreciation	-	106,282	-	106,282
Employee benefits	192,743	151,028	105,725	449,496
Fees for services	363,644	205,699	-	569,343
Grants	50,365,264	-	-	50,365,264
Information technology	58,377	219,499	-	277,876
Insurance	-	211,092	-	211,092
Memberships	27,450	15,178	13,571	56,199
NextUp program expenses	1,617,501	-	-	1,617,501
Occupancy	220,181	110,091	110,091	440,363
Office expenses	134,938	39,270	39,270	213,478
Other expenses	158,960	79,478	79,478	317,916
Payroll taxes	107,048	83,880	58,719	249,647
Salaries and wages	1,578,196	1,236,633	865,686	3,680,515
Taxes, licenses and registration fees	-	422,313	-	422,313
Travel	41,269	20,630	20,633	82,532
	<u>\$ 55,421,930</u>	<u>\$ 2,939,095</u>	<u>\$ 1,407,749</u>	<u>\$ 59,768,774</u>

See accompanying notes to the combined financial statements.



Community Foundation for a greater Richmond

Combined Statements of Cash Flows  
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (30,785,701)	\$ 93,492,895
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	106,282	104,323
Amortization of right of use asset	37,724	-
Non-cash operating lease expense	17,471	-
Net change in value of investment in The Richmond Fund, LP	4,087,373	(57,414,833)
Net realized and unrealized loss (gain) on investments	30,219,068	(18,007,507)
(Donation) sale of real estate held for sale	(292,665)	680,000
Donations permanently restricted for endowment	(9,941,045)	(10,173,202)
Changes in assets and liabilities:		
Pledges, notes and other receivables	20,139,377	(5,693,713)
Prepaid expenses	(36,790)	(109,450)
Cash surrender value of life insurance	(3,372)	(3,082)
Accrued expenses	396,191	126
Distributions payable	(15,317,427)	44,234,095
Net cash (used in) provided by operating activities	<u>(1,373,514)</u>	<u>47,109,652</u>
Cash flows from investing activities:		
Net proceeds from (purchases of) investments	1,245,960	(66,290,914)
Purchases of property and equipment	(806,743)	(45,490)
Net cash provided by (used in) investing activities	<u>439,217</u>	<u>(66,336,404)</u>
Cash flows from financing activities:		
Donations permanently restricted for endowment	9,941,045	10,173,202
Decrease in assets held in trust	11,879,856	4,864,846
Increase (decrease) in liability under gift annuities	13,995	(9,772)
(Decrease) increase in liability under trust agreements	(6,861,703)	5,447,002
Increase in funds held as agency endowments	512,161	1,052,361
Net cash provided by financing activities	<u>15,485,354</u>	<u>21,527,639</u>
Net change in cash and cash equivalents	14,551,057	2,300,887
Cash and cash equivalents, beginning of year	<u>13,374,919</u>	<u>11,074,032</u>
Cash and cash equivalents, end of year	<u>\$ 27,925,976</u>	<u>\$ 13,374,919</u>
Supplemental disclosure of cash flow information:		
Non-cash transactions:		
Acquisition of right of use asset through operating lease liability	<u>\$ 2,907,478</u>	<u>\$ -</u>

See accompanying notes to the combined financial statements.

## Community Foundation for a greater Richmond

### Notes to Combined Financial Statements

#### 1. **Organization and Business:**

The Community Foundation *Serving Richmond and Central Virginia*, doing business as the Community Foundation for a greater Richmond, (the “Foundation”) is a publicly-supported charity formed and existing exclusively to support charitable purposes primarily in, and for the benefit of, Richmond and Central Virginia. The Foundation is composed of two legal entities that operate as a single, consolidated organization: Greater Richmond Community Foundation, a charitable trust, and The Community Foundation, Inc., a charitable corporation. These entities share the same tax identification number and report their financial and program operations on a combined basis. The Foundation operates under the purpose and authority established by the Declaration of Trust, initially executed in 1968 and subsequently incorporated into the governing documents of the corporate entity which was established in 1993.

The accompanying combined financial statements include the resources and financial activities of the Foundation and seven affiliated entities. Six of these entities are organized as supporting organizations of the Foundation. Supporting organizations are 501(c)3 charities that are classified by the Internal Revenue Service (“IRS”) as public charities because their governing documents describe their alignment of charitable purpose with one or more named publicly supported charities, and there is documented shared governance, financial relationships and operating activities that meet IRS tests. The six supporting organizations that are included in the annual audit and financial reporting process are the Annabella R. Jenkins Foundation (“Jenkins Foundation”), the R.E.B. Foundation, the Pauley Family Foundation, the Jane and Arthur Flippo Endowment Foundation (“Flippo Foundation”), the Commonwealth Foundation for Cancer Research (“CFCR”) and the Ann K. Kirby Foundation.

The Partnership for Nonprofit Excellence (the “Partnership”) was a related publically supported entity. The Partnership was organized to support the charitable purposes of the Foundation, and all of the Partnership’s Board of Directors were appointed by the Foundation. Effective August 1, 2016, three programs of Partnership for Nonprofit Excellence were transferred to the Foundation. HandsOn Greater Richmond remained as a program of the Partnership for Nonprofit Excellence through 2017. Effective December 31, 2017, the Partnership for Nonprofit Excellence was dissolved and all net assets of the Partnership were transferred to the Foundation. HandsOn Greater Richmond is now a program of the Foundation.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**1. Organization and Business, Continued:**

The programs conducted by all of these affiliated organizations are reflected in the accompanying combined financial statements. All significant intercompany transactions and accounts are eliminated.

Middle School Renaissance 2020, LLC (“MSR2020”) was formed in 2013 as a single member LLC of the Foundation. MSR2020’s mission was to strengthen outcomes for Richmond Public School middle-school students by taking a systems approach to program design and delivery and seek to build a more comprehensive out-of-school time, division wide solution. During 2015, MSR2020 began doing business as NextUp RVA, and a separate, incorporated entity was established under the name NextUp RVA. NextUp RVA applied for recognition as a tax-exempt public charity as defined by Sections 170(b)(1)(A)(vi), 501(c)3, and 509(a)(1) of the Internal Revenue Code (“IRC”) and was approved with an effective date of April 16, 2015. All of NextUp RVA’s Board of Directors are appointed by the Foundation. On December 18, 2017, MSR2020’s Board of Directors approved the recommendation that MSR2020’s assets and liabilities be transferred to NextUp RVA and MSR2020 wind up its affairs and dissolve. NextUp RVA’s Board of Directors and the Foundation’s Board of Governors approved this recommendation and in 2018, MSR2020 dissolved and transferred all assets and liabilities to NextUp RVA. This is an organizational structure change only and services previously provided by MSR2020 are provided by NextUp RVA. Activity that occurred under MSR2020 during 2018 is reflected within The Community Foundation’s activity on the Combining Statement of Activities in the Supplemental Information.

In 2016, The Community Foundation Real Estate I, LLC and The Community Foundation Real Estate II, LLC (“TCF Real Estate LLCs”) were formed to accept real estate transactions of the Foundation. TCF Real Estate LLCs operate as single-member LLCs of the Foundation and all activity and net assets are reflected in the accompanying combined financial statements.

**2. Summary of Significant Accounting Policies:**

**Basis of Accounting:** The Foundation and affiliated organizations prepare their financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

**Cash and Cash Equivalents:** The Foundation and affiliated organizations consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Investments:** The Foundation and affiliates' investments are reported at fair value in the combined statements of financial position. The fair value of marketable equity and debt securities is determined using quoted market prices. Certain less-marketable investments are generally carried at values determined by the respective investment managers using valuation approaches that can generally be classified as either; an income or earnings approach, a cost or asset approach, or a market approach. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the combined financial statements. Unrealized gains and losses are included in the combined statements of activities.

**Property and Equipment and Depreciation:** Property and equipment consists primarily of office furniture, equipment, technology, and leasehold improvements recorded at cost for purchased items and at fair value for contributed items. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Accumulated depreciation equaled \$658,796 and \$575,599 as of December 31, 2018 and 2017, respectively.

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

*Net Assets without Donor Restrictions* – Net assets available for general use and not subject to donor restrictions. The Foundation's policy is to designate donor gifts without restriction at the discretion of the Board of Governors. The Board has designated net assets without donor restrictions for the following uses:

Designated for Donor Advised Grants – Funds designated for donor-advised grants are available for distribution upon recommendation by the donor.

Designated for Operating Reserves – Funds designated for future needs such as technology, capital purchases and other operating needs.

Designated for Discretionary Grants – Funds remaining from annual spendable income of board-designated endowments are designated for discretionary grants.

Designated for Endowment – Funds designated to provide perpetual support for community grantmaking and the Foundation's operations.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Net Assets, Continued:**

*Net Assets With Donor Restrictions* – Net assets comprising contributions and endowment and investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2018 and 2017, the Foundation's net assets with donor restrictions are restricted for funding various community philanthropic programs and/or nonprofits specified by the donors, as well as the endowment corpus and unspent endowment investment earnings. See Note 11.

**Revenue Recognition:** Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor-imposed restrictions on net assets are reported as net assets released from restriction on the Combined Statements of Activities.

The Foundation reports non-cash gifts as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Foundation reports expirations of donor restrictions when the donated assets are placed in service.

Contributions, including unconditional promises to give, are recognized as revenues in the period made. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash, which are primarily donated investment securities, are recorded at their estimated fair value at the date of donation.

**Funds Held as Agency Endowments:** The Foundation is a recipient organization that accepts contributions from organizations and agrees to use those assets on behalf of a specified beneficiary and recognizes the fair value of those assets as a liability to the specified beneficiary. The Foundation maintains variance power and legal ownership of agency endowment funds and as such, continues to report the funds as assets of the Foundation.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Concentrations of Credit Risk:** Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and pledges and notes receivable. The Foundation and affiliated organizations place their cash and cash equivalents with financial institutions located in Richmond, Virginia. At times, these balances may exceed the FDIC insurance limits.

Receivables are from individuals, corporations and foundations located primarily in the Richmond region. The Foundation and affiliated organizations believe their credit risk related to these receivables is limited due to the nature of their donors.

**Income Taxes:** In 1970, the Foundation received the original letter of tax-exempt status from the IRS. In 1993, the Foundation filed a ruling request with the IRS related to the Foundation's new organization, as described in Note 1. In its letter dated September 1, 1994, the IRS ruled that the Foundation, as designed and operated, is a qualifying public charity as defined in Section 501(c)(3) of the Internal Revenue Code ("IRC"), and therefore, is exempt from federal and state income taxes. As a result of certain investments, the Foundation is subject to unrelated business income tax. Certain affiliated trusts pay excise taxes on their investment income. All supporting organizations included in the combined financial statements are designed and operated as qualifying public charities as defined in Section 501(c)(3).

**Income Tax Uncertainties:** The Foundation has adopted Financial Accounting Standards Board ("FASB") guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Foundation's combined financial statements. The interpretation also provides guidance on derecognition, classification, interest and penalties, disclosure and transition.

In accordance with the interpretation, the Foundation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts of the Foundation's position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Foundation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position.

The Foundation has completed its assessment and determined that there were no tax positions which would require recognition under the interpretation. The Foundation is not currently under audit by any tax jurisdiction.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Functional Allocation of Expenses:** The costs of providing the various programs and supporting services have been summarized on a functional basis in the Combined Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

The combined financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

**Use of Estimates:** The preparation of combined financial statements in conformity with GAAP 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 combined financial statements and the reported amounts of support and revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**New Accounting Guidance:** In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit (Topic 958): *Presentation of Financial Statements of Not-for-Profit-Entities*. The significant changes related to presentation and disclosure now require the Foundation to: consolidate the classes of net assets into two classes (net assets with donor restrictions and net assets without donor restrictions), show underwater endowment balances within the net assets with donor restrictions class, provide expenses by nature and function, and enhance disclosures relating to liquidity and availability of resources. The Foundation adopted this ASU in 2018 on a retrospective basis. As allowed by the ASU, the information presented in the Combined Statement of Functional Expenses is presented for 2018 only.

In 2016, the FASB issued ASU 2016-02, “Leases”, which requires leases with terms more than 12 months to be recognized on the statement of financial position of lessees. Lessees record a right of use asset with a corresponding liability based on the net present value of rental payments. The previous categorization of obligations as operating and capital leases no longer applies. The Foundation elected to early adopt this ASU in 2018. See Note 6.

In 2018, the FASB issued ASU 2018-13, “Changes to the Disclosure Requirements for Fair Value Measurement” which modifies the disclosure requirements for fair value measurements. The Foundation adopted this ASU in 2018, which resulted in the removal and modification of certain fair value measurement disclosures presented in the combined financial statements.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**2. Summary of Significant Accounting Policies, Continued:**

**Reclassifications:** Certain prior year balances have been reclassified to conform with current year presentation.

**Subsequent Events:** Management has evaluated subsequent events through June 7, 2019, the date the combined financial statements were available to be issued, and has determined that there are no subsequent events to be reported.

**3. Liquidity and Availability:**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 27,925,976	\$ 13,374,919
Investments, short-term and liquid	158,795,208	191,754,405
Pledges, notes and other receivables	<u>1,111,846</u>	<u>19,064,548</u>
	187,833,030	224,193,872
Less: donor and committee advised funds	<u>(141,835,167)</u>	<u>(145,165,439)</u>
Available for general expenditure	<u>\$ 45,997,863</u>	<u>\$ 79,028,433</u>

The Foundation generally uses the assets held for donor advised funds for grantmaking based on donor recommendations although those funds are not donor-restricted.

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. Although the Foundation does not intend to spend from the board-designated endowment (other than amounts appropriated per the board's annual spending rate approval), these amounts could be made available if necessary. See Note 12 for more information.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the board will designate a portion of any operating surplus to its operating reserve, which was \$2,728,564 and \$2,758,859 as of December 31, 2018 and 2017, respectively.



Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**4. Investments:**

As of December 31, 2018 and 2017, the cost of investments and their fair values were as follows:

	2018		2017	
	At Cost	At Fair Value	At Cost	At Fair Value
Without donor restrictions	\$ 268,626,977	\$ 398,111,629	\$ 263,498,365	\$ 425,156,375
With donor restrictions	188,129,149	299,132,110	189,247,966	307,639,765
	<u>\$ 456,756,126</u>	<u>\$ 697,243,739</u>	<u>\$ 452,746,331</u>	<u>\$ 732,796,140</u>

As of December 31, 2018 and 2017, the costs of investments and their related fair values by major investment type were as follows:

	2018		2017	
	Cost	Market	Cost	Market
Cash equivalents	\$ 30,225,215	\$ 30,232,223	\$ 19,853,597	\$ 19,854,192
Equity securities	101,215,308	116,615,393	88,575,570	118,715,587
Alternatives:				
Marketable	6,282,590	8,683,835	6,393,038	8,344,105
Non-marketable	37,270,506	62,131,277	45,461,619	91,483,525
The Richmond Fund, LP	<u>281,762,507</u>	<u>479,581,011</u>	<u>292,462,507</u>	<u>494,398,731</u>
	<u>\$ 456,756,126</u>	<u>\$ 697,243,739</u>	<u>\$ 452,746,331</u>	<u>\$ 732,796,140</u>

The Foundation had unfunded commitments to alternative investments totaling \$3,151,611 as of December 31, 2018.

The Foundation invests its assets to achieve a long-term rate of return that exceeds its payout rate, plus the rate of inflation. Volatility is minimized by investing globally in diverse, non-correlating classes of assets. Due in part to the University of Richmond's (the "University") performance record in accomplishing these objectives with its own endowment, in 2008, the Foundation and certain of its affiliated organizations entered into an investment partnership with the University called The Richmond Fund, LP (the "Richmond Fund").

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**4. Investments, Continued:**

The general partner of the Richmond Fund is the Richmond Fund Management Company, LLC, a subsidiary of Spider Management Company, LLC ("SMC"), the investment company for the University's endowment. A rate of return agreement is used to equalize the quarterly rate of return of the University's pooled endowment managed by SMC and the Richmond Fund's rate of return. There are no contribution commitments for the Foundation and withdrawals can be made each calendar quarter with a minimum of 60 days advance notice.

As of December 31, 2018 and 2017, the ownership interests and summarized activity of the Foundation and its affiliated organizations in the Richmond Fund for the years then ended are as follows:

	Community Foundation	Jenkins Foundation	R.E.B. Foundation	Total
Ownership percentage of The Richmond Fund, LP at December 31, 2018	19.6%	2.1%	1.7%	23.4%
Balance, January 1, 2017	\$ 368,398,272	\$ 41,727,780	\$ 19,257,846	\$ 429,383,898
Additions	-	-	12,000,000	12,000,000
Distributions	(3,000,000)	(1,150,000)	(250,000)	(4,400,000)
Investment income	48,859,022	5,522,243	3,033,568	57,414,833
Balance, December 31, 2017	414,257,294	46,100,023	34,041,414	494,398,731
Additions	-	-	1,500,000	1,500,000
Distributions	(10,000,000)	(2,200,000)	-	(12,200,000)
Investment loss	(3,411,598)	(373,857)	(332,265)	(4,117,720)
Balance, December 31, 2018	<u>\$ 400,845,696</u>	<u>\$ 43,526,166</u>	<u>\$ 35,209,149</u>	<u>\$ 479,581,011</u>

Net change in value of investment in The Richmond Fund, LP, net realized and unrealized gain (loss) on investments, and net investment income (loss) included in the accompanying combined statements of activities, in total, is shown net of investment expenses of \$3,016,095 for 2018 and \$3,930,430 for 2017.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**5. Pledges, Notes, and Other Receivables:**

Pledges, notes and other receivables consist of the following at December 31, 2018 and 2017:

	2018		2017	
	Current	Long-term	Current	Long-term
Pledges receivable	\$ 1,379,502	\$ 1,077,224	\$ 20,616,079	\$ 2,258,148
Receivable from charitable trusts	445,586	5,570,427	437,230	5,291,201
Other receivables	1,201,724	6,461,208	501,607	7,170,783
	<u>\$ 3,026,812</u>	<u>\$ 13,108,859</u>	<u>\$ 21,554,916</u>	<u>\$ 14,720,132</u>

Pledges, notes, and other receivables are expected to be collected as follows:

	Amount
Within 1 year	\$ 3,026,812
1-5 years	2,512,108
More than 5 years	10,596,751
	<u>\$ 16,135,671</u>

The Foundation used a rate of 3.6% and 2.6% at December 31, 2018 and 2017, respectively, to discount to present value its pledges receivable.

Included in long-term other receivables, the Foundation has a note receivable with a principal balance of \$6,375,955 and \$6,368,075 as of December 31, 2018 and 2017. Accrued interest totaled \$652,224 and \$802,079 as of December 31, 2018 and 2017, respectively. The note was issued in November 2009 by CFCR and bears interest at an annual rate of seven percent. The note is secured by real estate. The note is due on demand but is not expected to be called or collected within the next year.

To fund certain grants, CFCR was the recipient of a contingent pledge totaling \$78,000,000 (the "Contingent Pledge"). The Contingent Pledge was directed solely to fund the grants made by CFCR, which are contingent upon grantee fundraising (See Note 8). During 2018 and 2017, gifts totaling \$2,615,968 and \$75,384,032, respectively, were received by CFCR to fulfill the pledge. The balance remaining on the Contingent Pledge was \$0 and \$2,615,968 at December 31, 2018 and 2017, respectively.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**6. Right of Use Asset and Operating Lease Liability:**

The Foundation entered into a new lease for office space on March 26, 2018. The initial term of this lease commenced in November 2018. Rent payments will commence 150 days after the lease commencement date (November 7, 2018). The lease will continue for 124 months following the rent commencement date (May 1, 2019). The Foundation has the option to extend the lease term for one consecutive five year period, however this option is not recognized in the right-of use asset and liability amounts. In accordance with ASU 2016-02, a right of use asset and operating lease liability were recorded at the time of lease commencement based on the present value of the future lease payments using a discount rate of 3.6%. As of December 31, 2018, the right of use assets totaled \$2,869,754 and the operating lease liability totaled \$2,924,949.

Future maturities of the operating lease obligation as of December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 143,240
2020	319,412
2021	327,397
2022	335,582
2023	343,972
Thereafter	<u>2,118,074</u>
	3,587,677
Less: discount to present value	<u>(662,728)</u>
	<u>\$ 2,924,949</u>

The agreement on the operating lease of its previous office space required monthly rent payments through December 2018 and the related expense was recognized on a straight-line basis over the life of the lease. Total operating lease expense was \$440,612 for 2018 and \$319,345 for 2017.

**7. Cash Surrender Value of Life Insurance:**

Cash surrender value of life insurance is carried at its stated value which approximates its fair value.

The Foundation is the beneficiary under four life insurance policies as of December 31, 2018 and 2017. At December 31, 2018 and 2017, the face amount of these policies totaled \$10,200,000. During 2018 and 2017, the Foundation received no proceeds from life insurance.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**8. Distributions Payable:**

Distributions payable, recorded at pledged amounts, are due to be paid in:

<u>Year</u>	<u>Amount</u>
2019	\$ 25,529,679
2020	13,635,535
2021	1,158,777
2022	508,671
2023	98,080
Thereafter	<u>59,622</u>
Total	<u>\$ 40,990,364</u>

The Foundation used a rate of 3.6% and 2.6% at December 31, 2018 and 2017, respectively, to discount to present value its distributions payable.

In 2016, CFCR granted amounts totaling \$127,000,000 to provide funding to cancer research institutions. These grants are conditional upon those institutions raising matching funds. Through December 31, 2018, matching funds of \$91,396,732 had been raised by these institutions. Based on the matching funds raised and timing of scheduled payments, grants payable of \$29,800,000 and \$42,800,000 were recorded at December 31, 2018 and 2017, respectively.

**9. Charitable Trusts:**

The Foundation is the named trustee under numerous charitable unitrust agreements (“Unitrusts”). Under the trust agreements, the Unitrusts pay an annual benefit to the trust beneficiaries throughout their lives based on a percentage of the fair value of the trust assets as defined by the trust agreement. The fair value of the assets of the Unitrusts is included on the combined statements of financial position as assets held in trust. Contribution income with donor restriction is recognized to the extent that the fair value of the trust assets exceeds the present value of the future payments to the trust beneficiaries.

The present value of the future payments to the trust beneficiaries is based on life span, actuarial factors derived from IRS Publication 1458, and a discount rate of 3.6% and 2.6% as of December 31, 2018 and 2017, respectively, per IRC Section 7520(a).

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**9. Charitable Trusts, Continued:**

The Foundation is the named trustee and beneficiary of three charitable lead trusts. Under the trust agreements, the lead trusts pay an annual benefit for a specified term based on a percentage of the fair value of the trust assets. The fair value of the assets of the lead trusts is included on the combined statements of financial position as assets held in trust. A liability for the present value of the future payout at termination is included on the combined statements of financial position as a liability under trust agreements.

The Foundation has been named beneficiary of numerous charitable trusts that the Foundation does not serve as trustee. For 2018 and 2017, the changes in value of these split interest agreements were (\$275,805) and (\$96,228), respectively. These amounts are included on the combined statements of activities as a component of net realized and unrealized gain (loss) on investments.

**10. Line of Credit:**

The Foundation has available a revolving line of credit with a bank providing for maximum borrowings of \$10,000,000 through September 30, 2019. Interest on funds advanced is payable monthly at the one-month LIBOR rate plus 1.75% (4.27% and 3.31% at December 31, 2018 and 2017, respectively). There were no borrowings on the line of credit for the years ended December 31, 2018 and 2017.

**11. Net Assets With Donor Restrictions:**

Net assets with donor restrictions at year-end were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Perpetually restricted funds	\$ 269,045,089	\$ 283,625,005
Beneficial interest in trusts	17,685,863	20,841,827
Program specific funds	<u>20,904,844</u>	<u>26,119,166</u>
	<u>\$ 307,635,796</u>	<u>\$ 330,585,998</u>

Amounts released from restriction in 2018 and 2017 relate primarily to the occurrence of the passage of time and appropriation of spendable amounts from endowment funds.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**12. Endowment Funds:**

The Foundation's endowment consists of approximately 460 permanently endowed named funds established for a variety of purposes. The endowed funds include both funds with donor restrictions and funds without donor restriction that were designated for endowment by the Foundation's Board of Governors. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Board of Governors 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of donor-restricted endowment funds that are not required to be held into perpetuity are reclassified to net assets without donor restrictions when 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:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**Endowment Investing and Spending Policies:** 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. Under this policy, as approved by the Board of Governors, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Foundation's spending and investment policies work together to achieve this objective.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**12. Endowment Funds, Continued:**

**Endowment Investing and Spending Policies, Continued:** The investment policy establishes an achievable return objective return through diversification of asset classes. The current long-term return objective is to earn 5% per year, plus the rate of inflation. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grantmaking and administration. The current spending policy is to distribute an amount up to 5% of a moving twelve-quarter average, unless a different amount is stated in the fund agreement. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets were as follows for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2017	\$ 209,752,953	\$ 234,830,628	\$ 444,583,581
Investment return, net	35,437,246	28,410,554	63,847,800
New gifts	473,901	31,849,556	32,323,457
Appropriation of endowment assets for expenditure	<u>(13,262,077)</u>	<u>(11,465,733)</u>	<u>(24,727,810)</u>
Net assets, December 31, 2017	232,402,023	283,625,005	516,027,028
Investment loss, net	(10,964,075)	(1,661,015)	(12,625,090)
New gifts	23,281,795	10,215,224	33,497,019
Appropriation of endowment assets for expenditure	<u>(10,573,609)</u>	<u>(23,134,125)</u>	<u>(33,707,734)</u>
Net assets, December 31, 2018	<u>\$ 234,146,134</u>	<u>\$ 269,045,089</u>	<u>\$ 503,191,223</u>



Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**12. Endowment Funds, Continued:**

Endowment net asset composition was as follows as of December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 234,146,134	\$ -	\$ 234,146,134
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	212,675,416	212,675,416
Accumulated investment gains	-	56,369,673	56,369,673
	<u>\$ 234,146,134</u>	<u>\$ 269,045,089</u>	<u>\$ 503,191,223</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 232,402,023	\$ -	\$ 232,402,023
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	200,335,236	200,335,236
Accumulated investment gains	-	83,289,769	83,289,769
	<u>\$ 232,402,023</u>	<u>\$ 283,625,005</u>	<u>\$ 516,027,028</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation allows spending from underwater endowments in accordance with the spending policy. At December 31, 2018 and 2017, funds with deficiencies of \$646,473 and \$18,014, respectively, were reported in net assets with donor restrictions.

	2018	2017
Fair value of underwater endowment funds	\$ 23,696,845	\$ 1,262,049
Original endowment gift amount	<u>24,343,318</u>	<u>1,280,063</u>
Deficiencies of underwater endowment funds	<u>\$ (646,473)</u>	<u>\$ (18,014)</u>

**13. Fair Value Measurements:**

FASB guidance establishes a framework for measuring fair value, clarifies the definition of fair value within that framework and expands disclosure requirements regarding the use of fair value measurements. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. There were no purchases or transfers of Level 3 assets in 2018. During 2017, purchases of Level 3 assets totaled \$52,902,500.

In accordance with GAAP, the fair value of investments measured using net asset value ("NAV") per share as a practical expedient are excluded from the fair value hierarchy.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**13. Fair Value Measurements, Continued:**

Assets and liabilities measured at fair value on a recurring basis at December 31, 2018 include the following:

	Fair Value Using			Investments valued at NAV as practical expedient	Assets/ liabilities at Fair Value
	Level 1	Level 2	Level 3		
<b>Assets:</b>					
<b>Investments:</b>					
Cash equivalents	\$ 30,232,223	\$ -	\$ -	\$ -	\$ 30,232,223
Equity securities	116,615,393	-	-	-	116,615,393
Marketable alternatives	-	8,683,835	-	-	8,683,835
Non-Marketable alternatives	-	-	43,696,068	18,435,209	62,131,277
The Richmond Fund, LP	-	-	-	479,581,011	479,581,011
Total investments	<u>146,847,616</u>	<u>8,683,835</u>	<u>43,696,068</u>	<u>498,016,220</u>	<u>697,243,739</u>
Pledges, notes and other receivables	2,382,468	13,753,203	-	-	16,135,671
Cash surrender value of life insurance	-	43,995	-	-	43,995
Assets held in trusts	<u>70,814,293</u>	<u>6,937,834</u>	<u>-</u>	<u>-</u>	<u>77,752,127</u>
<b>Total</b>	<b><u>\$ 220,044,377</u></b>	<b><u>\$ 29,418,867</u></b>	<b><u>\$ 43,696,068</u></b>	<b><u>\$ 498,016,220</u></b>	<b><u>\$ 791,175,532</u></b>
<b>Liabilities:</b>					
Distributions payable	\$ -	\$ 40,990,364	\$ -	\$ -	\$ 40,990,364
Liability under gift annuities	-	249,937	-	-	249,937
Liability under trust agreements	-	53,692,247	-	-	53,692,247
Funds held as agency endowments	-	6,403,329	-	-	6,403,329
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ 101,335,877</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 101,335,877</u></b>

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**13. Fair Value Measurements, Continued:**

Assets and liabilities measured at fair value on a recurring basis at December 31, 2017 include the following:

	Fair Value Using			Investments valued at NAV as practical expedient	Assets/ liabilities at Fair Value
	Level 1	Level 2	Level 3		
<b>Assets:</b>					
Investments:					
Cash equivalents	\$ 19,854,192	\$ -	\$ -	\$ -	\$ 19,854,192
Equity securities	118,715,587	-	-	-	118,715,587
Marketable alternatives	-	8,344,105	-	-	8,344,105
Non-Marketable alternatives	-	-	76,801,371	14,682,154	91,483,525
The Richmond Fund, LP	-	-	-	494,398,731	494,398,731
Total investments	<u>138,569,779</u>	<u>8,344,105</u>	<u>76,801,371</u>	<u>509,080,885</u>	<u>732,796,140</u>
Pledges, notes and other receivables	21,554,916	14,720,132	-	-	36,275,048
Cash surrender value of life insurance	-	40,623	-	-	40,623
Assets held in trusts	<u>78,868,171</u>	<u>10,763,812</u>	<u>-</u>	<u>-</u>	<u>89,631,983</u>
Total	<u>\$ 238,992,866</u>	<u>\$ 33,868,672</u>	<u>\$ 76,801,371</u>	<u>\$ 509,080,885</u>	<u>\$ 858,743,794</u>
<b>Liabilities:</b>					
Distributions payable	\$ -	\$ 56,307,791	\$ -	\$ -	\$ 56,307,791
Liability under gift annuities	-	235,942	-	-	235,942
Liability under trust agreements	-	60,553,950	-	-	60,553,950
Funds held as agency endowments	-	5,891,168	-	-	5,891,168
Total	<u>\$ -</u>	<u>\$ 122,988,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,988,851</u>

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**13. Fair Value Measurements, Continued:**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The investments in alternatives are valued by general partners of the funds based on several criteria established in the fund agreement. All exchange traded securities are measured at the listed price at a specified time. Financial instruments that are tied to an underlying exchange traded security are valued at the listed price provided that the general partner determines that the price accurately reflects fair value. All other assets and liabilities of the fund are valued based on a calculation of fair value based on supporting information by the general partner using valuation approaches that can be classified as either; an income or earnings approach, a cost or asset approach, or a market approach. These approaches focus on either discounting future earnings or equity payouts, valuing the underlying assets and liabilities under a hypothetical sale transaction which may involve the use of independent appraisers, or by identifying and selecting publicly traded securities with similar investment characteristics. Certain investments, including the investment in the Richmond Fund, are valued using NAV as a practical expedient.

In 2015, the Foundation received a gift of private company stock valued at \$6,440,000. The Foundation values its investment based on an independent, third party valuation of the stock performed on an annual basis. The valuation utilized the income approach in 2017. In 2018, due to changes in the private company's structure and leadership, the Foundation elected to write off the remaining balance in this investment which totaled \$8,452,640. This is reflected in net realized and unrealized (loss) gain on investments in the accompanying Combined Statements of Activities.

The Foundation has investments in certain real estate parcels through the Jane and Arthur Flippo Endowment Foundation and the Commonwealth Foundation for Cancer Research. The Foundation values the real estate using the market approach, through tax assessments or available comparable sales information.

The beneficial interest in trusts are managed investments and are valued by general partners of the investment funds based on several criteria established in the fund agreement. All exchange traded securities are measured at the listed price at a specified time. Financial instruments that are tied to an underlying exchange traded security are valued at the listed price provided that the general partner determines that the price accurately reflects fair value. All other assets and liabilities of the fund are valued based on a calculation of fair value based on supporting information by the general partners.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**14. Supporting Organizations and Other Affiliated Entities:**

In 2002, the Commonwealth Foundation for Cancer Research was organized as a tax-exempt organization as defined by Section 501(c)(3) of the IRC, and became a supporting organization of The Community Foundation, Inc. Due to changes in federal regulations, which were issued December 2012, the Commonwealth Foundation for Cancer Research elected to re-organize as a Type I supporting organization effective January 1, 2014. Beginning in 2014, the net assets and results of operations of the Commonwealth Foundation for Cancer Research are included in the combined financial statements. The net assets and result of operations are reflected in the combined financial statements.

On December 6, 2006, the Partnership for Nonprofit Excellence (the “Partnership”) was organized exclusively to support the charitable purposes of the Foundation, and 100% of the Partnership’s Board of Directors is appointed by the Foundation. The Partnership applied for recognition as a tax-exempt public charity as defined by Sections 170 (b)(1)(A)(vi), 501(c)(3), and 509(a)1 of the IRC and was approved with an effective date of December 6, 2006. Effective August 1, 2016, three programs of the Partnership were transferred to The Community Foundation. HandsOn Greater Richmond remained as a program of the Partnership for Nonprofit Excellence through 2017. Effective December 31, 2017, the Partnership for Nonprofit Excellence was dissolved and all net assets of the Partnership were transferred to the Foundation. HandsOn Greater Richmond is now a program of the Foundation. The net assets and result of operations are reflected in the combined financial statements.

In 1988, the R.E.B. Foundation became a supporting organization of the Foundation. The R.E.B. Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the IRC. The R.E.B. Foundation assists in supporting the educational purposes of the Foundation. In August 2013, the R.E.B. Foundation elected to re-organize as a Type I supporting organization. The R.E.B. Foundation’s net assets and results of operations are reflected in the combined financial statements.

In August 1995, the Annabella R. Jenkins Foundation (“Jenkins Foundation”) became a supporting organization of the Foundation. The Jenkins Foundation assists in supporting the charitable purposes of the Foundation, with an emphasis on health and medically related charitable purposes. In August 2013, the Jenkins Foundation elected to re-organize as a Type I supporting organization. The Jenkins Foundation’s net assets and results of operations are reflected in the combined financial statements.

In June 2011, the Pauley Family Foundation became a Type I supporting organization of the Foundation and its net assets and results of operations are reflected in the combined financial statements.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**14. Supporting Organizations and Other Affiliated Entities, Continued:**

In June 2013, the Jane and Arthur Flippo Endowment Foundation became a Type I supporting organization of the Foundation and its net assets and results of operations are reflected in the combined financial statements.

In December 2014, the Ann K. Kirby Foundation became a Type I supporting organization of the Foundation. The Ann K. Kirby Foundation was gifted \$37.5 million and the final payment was received in January 2018. Its net assets and results of operations are reflected in the combined financial statements.

**15. Retirement Plans:**

Employees that are at least 21 years of age are eligible to participate in a 403(b) thrift plan immediately following their hire date. Employees are eligible for the 403(b) thrift plan employer matching contributions if they work more than 20 hours per week and are not student interns. Under the terms of the plan, employees are entitled to contribute a portion of their total compensation, within limitations established by the IRC. At the discretion of the Board of Governors, the Foundation may make a matching contribution defined as the lesser of 100% of an employee's contributions or 4.5% of an employee's total annual compensation. Matching contributions amounted to \$138,207 for 2018 and \$103,533 for 2017.

Eligible employees are vested in a defined benefit plan through United Way of Greater Richmond & Petersburg for employees meeting the eligibility requirements of age 21 and completing one year of service with a minimum of 1,000 hours worked. The plan pays retirees a fixed amount that is based on the number of years of service and compensation history. Pension plan expense was \$90,767 for 2018 and \$87,064 for 2017. Effective December 31, 2008, the plan sponsor, United Way of Greater Richmond & Petersburg, decided to freeze all future benefit accruals for those who are active participants. The pension plan was also frozen to new participants as of that date. Based on actuarial assumptions, current interest rates, market conditions, requirements of the Pension Protection Act, and other factors, the Foundation is likely to be required to make future contributions to the Plan.

In December 2014, the Foundation established a 401(a) discretionary contribution plan. Contributions to the plan totaled \$30,000 and \$20,000 in 2018 and 2017, respectively. Participation in the plan is limited to persons whose payroll is reported on the Foundation's EIN. Eligibility further conforms to the eligibility criteria for the 403(b) thrift plan employer matching contributions.

Community Foundation for a greater Richmond

Notes to Combined Financial Statements, Continued

**16. Indemnifications:**

As permitted under their articles of incorporation, the Foundation and affiliated organizations have certain obligations to indemnify their current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Foundation's and affiliated organizations' request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Foundation's and affiliated organizations' insurance policies serve to limit their exposure. The Foundation and affiliated organizations believe that the estimated fair value of these indemnification obligations is minimal.



**SUPPLEMENTAL INFORMATION**

Community Foundation for a greater Richmond

Combining Statement of Financial Position  
December 31, 2018

	Community Foundation	NextUp RVA	R.E.B. Foundation	Jenkins Foundation	Pauley Family Foundation	Flippo Foundation	Commonwealth Foundation for Cancer Research	Ann K. Kirby Foundation	Total	Combining Entries	Combined Total
<b>Assets</b>											
Cash and cash equivalents	\$ 5,929,815	\$ 1,578,056	\$ 979,942	\$ 1,819,084	\$ 359,314	\$ 13,911	\$ 16,613,119	\$ 632,735	\$ 27,925,976	\$ -	\$ 27,925,976
Investments, at fair value	438,031,621	-	35,209,149	43,526,166	89,220,362	8,683,835	48,597,041	33,975,565	697,243,739	-	697,243,739
Pledges, notes and other receivables	8,609,087	545,905	-	-	-	-	7,028,179	-	16,183,171	(47,500)	16,135,671
Prepaid expenses	208,971	11,048	-	2,700	-	-	-	-	222,719	-	222,719
Real estate held for sale	292,665	-	-	-	-	-	-	-	292,665	-	292,665
Property and equipment, net	864,435	1,683	-	-	-	-	-	-	866,118	-	866,118
Right of use asset	2,869,754	-	-	-	-	-	-	-	2,869,754	-	2,869,754
Cash surrender value of life insurance	43,995	-	-	-	-	-	-	-	43,995	-	43,995
Assets held in trust, at fair value	73,088,754	-	108,043	4,555,330	-	-	-	-	77,752,127	-	77,752,127
<b>Total assets</b>	<b>\$ 529,939,097</b>	<b>\$ 2,136,692</b>	<b>\$ 36,297,134</b>	<b>\$ 49,903,280</b>	<b>\$ 89,579,676</b>	<b>\$ 8,697,746</b>	<b>\$ 72,238,339</b>	<b>\$ 34,608,300</b>	<b>\$ 823,400,264</b>	<b>\$ (47,500)</b>	<b>\$ 823,352,764</b>
<b>Liabilities and Net Assets</b>											
<b>Liabilities:</b>											
Accrued expenses	\$ 444,324	\$ 177,809	\$ 118	\$ 7,242	\$ -	\$ -	\$ 136,029	\$ -	\$ 765,522	\$ -	\$ 765,522
Operating lease liability	2,924,949	-	-	-	-	-	-	-	2,924,949	-	2,924,949
Distributions payable	7,116,360	-	-	820,159	2,957,530	-	29,167,066	976,749	41,037,864	(47,500)	40,990,364
Liability under gift annuities	142,057	-	-	107,880	-	-	-	-	249,937	-	249,937
Liability under trust agreements	53,692,247	-	-	-	-	-	-	-	53,692,247	-	53,692,247
Funds held as agency endowments	6,403,329	-	-	-	-	-	-	-	6,403,329	-	6,403,329
<b>Total liabilities</b>	<b>70,723,266</b>	<b>177,809</b>	<b>118</b>	<b>935,281</b>	<b>2,957,530</b>	<b>-</b>	<b>29,303,095</b>	<b>976,749</b>	<b>105,073,848</b>	<b>(47,500)</b>	<b>105,026,348</b>
<b>Net assets:</b>											
Without donor restrictions	156,560,600	1,641,691	36,188,973	44,412,669	86,622,146	8,697,746	42,935,244	33,631,551	410,690,620	-	410,690,620
With donor restrictions	302,655,231	317,192	108,043	4,555,330	-	-	-	-	307,635,796	-	307,635,796
<b>Total net assets</b>	<b>459,215,831</b>	<b>1,958,883</b>	<b>36,297,016</b>	<b>48,967,999</b>	<b>86,622,146</b>	<b>8,697,746</b>	<b>42,935,244</b>	<b>33,631,551</b>	<b>718,326,416</b>	<b>-</b>	<b>718,326,416</b>
<b>Total liabilities and net assets</b>	<b>\$ 529,939,097</b>	<b>\$ 2,136,692</b>	<b>\$ 36,297,134</b>	<b>\$ 49,903,280</b>	<b>\$ 89,579,676</b>	<b>\$ 8,697,746</b>	<b>\$ 72,238,339</b>	<b>\$ 34,608,300</b>	<b>\$ 823,400,264</b>	<b>\$ (47,500)</b>	<b>\$ 823,352,764</b>

See Report of Independent Accountants.

Community Foundation for a greater Richmond

Combining Statement of Activities  
Year Ended December 31, 2018

	Community Foundation	NextUp RVA	R.E.B. Foundation	Jenkins Foundation	Pauley Family Foundation	Flippo Foundation	Commonwealth Foundation for Cancer Research	Ann K. Kirby Foundation	Total	Combining Entries	Combined Total
Support and revenue (losses):											
Contributions	\$ 41,458,594	\$ 2,205,480	\$ -	\$ 4,523	\$ -	\$ -	\$ 12,771,798	\$ -	\$ 56,440,395	\$ (673,413)	\$ 55,766,982
Net change in value of investment in The Richmond Fund, LP	(3,382,659)	-	(330,859)	(373,855)	-	-	-	-	(4,087,373)	-	(4,087,373)
Net realized and unrealized gain (loss) on investments	(13,151,907)	(24)	(16,069)	(582,165)	(8,016,520)	450,178	(6,563,858)	(2,338,703)	(30,219,068)	-	(30,219,068)
Net investment income	3,347,688	91	3,344	2,997	1,715,368	-	936,579	88,224	6,094,291	-	6,094,291
Contributions to charitable trusts (net of the liability)	443,678	-	-	-	-	-	-	-	443,678	-	443,678
Investment income from trusts	65,508	-	-	179,380	-	-	-	-	244,888	-	244,888
Misc & other program revenue	641,888	33,485	-	-	-	-	60,000	-	735,373	-	735,373
Unrestricted support	127,651	(64,000)	(43,474)	(213,751)	(274,128)	(41,776)	(47,000)	(116,935)	(673,413)	673,413	-
Income tax refund, net	-	-	-	4,302	-	-	-	-	4,302	-	4,302
Total support and revenue (losses)	29,550,441	2,175,032	(387,058)	(978,569)	(6,575,280)	408,402	7,157,519	(2,367,414)	28,983,073	-	28,983,073
Expenses:											
Program:											
Grant distributions	(33,084,586)	-	(115,640)	(1,782,101)	(3,422,755)	(2,500)	(11,423,291)	(534,391)	(50,365,264)	-	(50,365,264)
Program expenses	(2,899,940)	(1,111,449)	(1,045,277)	-	-	-	-	-	(5,056,666)	-	(5,056,666)
Administrative	(2,261,731)	(108,083)	(17,690)	(51,696)	(10,864)	(56,282)	(432,410)	(339)	(2,939,095)	-	(2,939,095)
Fundraising	(1,192,603)	(215,146)	-	-	-	-	-	-	(1,407,749)	-	(1,407,749)
Total expenses	(39,438,860)	(1,434,678)	(1,178,607)	(1,833,797)	(3,433,619)	(58,782)	(11,855,701)	(534,730)	(59,768,774)	-	(59,768,774)
Change in net assets before transfers	(9,888,419)	740,354	(1,565,665)	(2,812,366)	(10,008,899)	349,620	(4,698,182)	(2,902,144)	(30,785,701)	-	(30,785,701)
Net assets transferred to (from) an affiliated organization	(1,218,529)	1,218,529	-	-	-	-	-	-	-	-	-
Change in net assets	(11,106,948)	1,958,883	(1,565,665)	(2,812,366)	(10,008,899)	349,620	(4,698,182)	(2,902,144)	(30,785,701)	-	(30,785,701)
Net assets, beginning of year	470,322,779	-	37,862,681	51,780,365	96,631,045	8,348,126	47,633,426	36,533,695	749,112,117	-	749,112,117
Net assets, end of year	\$ 459,215,831	\$ 1,958,883	\$ 36,297,016	\$ 48,967,999	\$ 86,622,146	\$ 8,697,746	\$ 42,935,244	\$ 33,631,551	\$ 718,326,416	\$ -	\$ 718,326,416

See Report of Independent Accountants.