



Financial Statements

December 31, 2021 and 2020



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# Community Foundation for a greater Richmond

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## INDEPENDENT AUDITOR'S REPORT

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

### Qualified Opinion

We have audited the accompanying financial statements of the Community Foundation for a greater Richmond (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating all controlled affiliates, as discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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.

### Basis for Qualified Opinion

As discussed in Note 2 to the financial statements, the Foundation has not consolidated the financial position or activities of all controlled affiliates. In our opinion, accounting principles generally accepted in the United States require that all controlled affiliates be accounted for as consolidated entities. Due to the timing of reporting from such affiliates, the quantitative impact is impracticable to determine as of and for the year ended December 31, 2021. The Foundation prepares consolidated financial statements that include all controlled affiliates, which are its financial statements prepared for compliance with accounting principles generally accepted in the United States.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 qualified 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, 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 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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.



June 21, 2022  
Glen Allen, Virginia

**Community Foundation for a greater Richmond**

Statements of Financial Position  
December 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 17,965,844	\$ 23,908,692
Investments, at fair value	734,857,601	579,592,048
Pledges, notes and other receivables	22,170,878	8,889,951
Prepaid expenses	263,827	185,664
Property and equipment, net	795,011	1,001,394
Right of use assets	2,702,076	3,006,011
Cash surrender value of life insurance	45,457	42,731
Assets held in trust, at fair value	<u>80,549,077</u>	<u>71,807,741</u>
 Total assets	 <u>\$ 859,349,771</u>	 <u>\$ 688,434,232</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accrued expenses	\$ 391,963	\$ 674,949
Operating lease liabilities	3,024,699	3,324,875
Distributions payable	7,733,537	5,581,435
Liability under gift annuities	24,412	31,425
Liability under trust agreements	52,296,839	46,941,800
Funds held as agency endowments	<u>11,981,841</u>	<u>9,205,343</u>
 Total liabilities	 <u>75,453,291</u>	 <u>65,759,827</u>
Net assets:		
Without donor restrictions	280,928,934	214,628,400
With donor restrictions	<u>502,967,546</u>	<u>408,046,005</u>
 Total net assets	 <u>783,896,480</u>	 <u>622,674,405</u>
 Total liabilities and net assets	 <u>\$ 859,349,771</u>	 <u>\$ 688,434,232</u>

See accompanying notes to the financial statements.

## Community Foundation for a greater Richmond

### Statements of Activities Year Ended December 31, 2021, with Comparative Totals for 2020

	2021			2020
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenue:				
Contributions	\$ 63,531,245	\$ 38,518,917	\$ 102,050,162	\$ 69,324,457
Net change in value of investment in The Richmond Fund, LP	33,843,471	70,897,097	104,740,568	88,361,502
Net realized and unrealized gain on investments	2,968,466	2,849,908	5,818,374	6,655,782
Net investment income	658,885	3,287,181	3,946,066	1,880,497
Contributions to charitable trusts (net of the liability)	-	203,435	203,435	102,462
Investment income from trusts	-	52,410	52,410	36,430
Program service and other miscellaneous revenue	101,380	513,205	614,585	465,197
Unrestricted support	<u>1,258,864</u>	<u>-</u>	<u>1,258,864</u>	<u>1,152,471</u>
Total support and revenue	<u>102,362,311</u>	<u>116,322,153</u>	<u>218,684,464</u>	<u>167,978,798</u>
Net assets released from restriction	<u>21,400,612</u>	<u>(21,400,612)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program:				
Grant distributions	(49,954,402)	-	(49,954,402)	(49,690,194)
Program expenses	(2,905,256)	-	(2,905,256)	(2,770,282)
Administrative	(3,201,274)	-	(3,201,274)	(3,077,612)
Fundraising	<u>(1,401,457)</u>	<u>-</u>	<u>(1,401,457)</u>	<u>(1,371,276)</u>
Total expenses	<u>(57,462,389)</u>	<u>-</u>	<u>(57,462,389)</u>	<u>(56,909,364)</u>
Change in net assets	66,300,534	94,921,541	161,222,075	109,418,267
Net assets, beginning of year	<u>214,628,400</u>	<u>408,046,005</u>	<u>622,674,405</u>	<u>513,256,138</u>
Net assets, end of year	<u>\$ 280,928,934</u>	<u>\$ 502,967,546</u>	<u>\$ 783,896,480</u>	<u>\$ 622,674,405</u>

See accompanying notes to the financial statements.

## Community Foundation for a greater Richmond

### Statement of Activities Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Contributions	\$ 32,618,636	\$ 36,705,821	\$ 69,324,457
Net change in value of investment in The Richmond Fund, LP	25,564,740	62,796,762	88,361,502
Net realized and unrealized gain on investments	1,181,523	5,474,259	6,655,782
Net investment income	430,170	1,450,327	1,880,497
Distributions from trusts	-	(1,651,167)	(1,651,167)
Contributions to charitable trusts (net of the liability)	-	102,462	102,462
Investment income from trusts	-	36,430	36,430
Program service and other miscellaneous revenue	20,846	444,351	465,197
Unrestricted support	1,152,471	-	1,152,471
Total support and revenue	60,968,386	105,359,245	166,327,631
Net assets released from restriction	23,098,006	(23,098,006)	-
Expenses:			
Program:			
Grant distributions	(49,690,194)	-	(49,690,194)
Program expenses	(2,770,282)	-	(2,770,282)
Administrative	(3,077,612)	-	(3,077,612)
Fundraising	(1,371,276)	-	(1,371,276)
Total expenses	(56,909,364)	-	(56,909,364)
Change in net assets	27,157,028	82,261,239	109,418,267
Net assets, beginning of year	187,471,372	325,784,766	513,256,138
Net assets, end of year	\$ 214,628,400	\$ 408,046,005	\$ 622,674,405

See accompanying notes to the financial statements.

## Community Foundation for a greater Richmond

### Statements of Functional Expenses Year Ended December 31, 2021, with Comparative Totals for 2020

	<u>2021</u>				<u>2020</u>
	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Advertising and promotion	\$ -	\$ -	\$ 71,679	\$ 71,679	\$ 82,684
Conferences and meetings	33,883	16,941	16,941	67,765	38,619
Depreciation	-	264,044	-	264,044	262,289
Direct program expenses	325,618	-	-	325,618	282,898
Employee benefits	156,828	169,169	100,795	426,792	503,678
Fees for services	177,821	149,536	-	327,357	329,975
Grants	49,954,402	-	-	49,954,402	49,690,194
Information technology	94,445	377,780	-	472,225	365,411
Insurance	-	262,934	-	262,934	249,118
Memberships	10,949	5,474	5,474	21,897	26,644
Occupancy	247,215	123,607	123,607	494,429	495,395
Office expenses	52,621	17,540	17,540	87,701	128,216
Other expenses	57,148	28,577	28,577	114,302	80,081
Payroll taxes	101,254	109,222	65,077	275,553	261,422
Salaries and wages	1,516,132	1,627,304	969,588	4,113,024	3,925,487
Sponsorships	126,983	-	-	126,983	134,500
Taxes, licenses and registrations	-	46,967	-	46,967	33,737
Travel	4,359	2,179	2,179	8,717	19,016
	<u>\$ 52,859,658</u>	<u>\$ 3,201,274</u>	<u>\$ 1,401,457</u>	<u>\$ 57,462,389</u>	<u>\$ 56,909,364</u>

See accompanying notes to the financial statements.

## Community Foundation for a greater Richmond

### Statement of Functional Expenses Year Ended December 31, 2020

	Program Services	Administrative	Fundraising	Total
Advertising and promotion	\$ -	\$ -	\$ 82,684	\$ 82,684
Conferences and meetings	19,309	9,655	9,655	38,619
Depreciation	-	262,289	-	262,289
Direct program expenses	282,898	-	-	282,898
Employee benefits	180,873	204,909	117,896	503,678
Fees for services	188,753	141,222	-	329,975
Grants	49,690,194	-	-	49,690,194
Information technology	73,082	292,329	-	365,411
Insurance	-	249,118	-	249,118
Memberships	13,322	6,661	6,661	26,644
Occupancy	247,697	123,849	123,849	495,395
Office expenses	76,930	25,643	25,643	128,216
Other expenses	39,869	20,106	20,106	80,081
Payroll taxes	93,878	106,353	61,191	261,422
Salaries and wages	1,409,661	1,596,986	918,840	3,925,487
Sponsorships	134,500	-	-	134,500
Taxes, licenses and registrations	-	33,737	-	33,737
Travel	9,510	4,755	4,751	19,016
	<u>\$ 52,460,476</u>	<u>\$ 3,077,612</u>	<u>\$ 1,371,276</u>	<u>\$ 56,909,364</u>

See accompanying notes to the financial statements.

**Community Foundation for a greater Richmond**

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

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 161,222,075	\$ 109,418,267
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	264,044	262,289
Amortization of right of use asset	3,759	29,292
Net change in value of investment in The Richmond Fund, LP	(104,740,568)	(88,361,502)
Net realized and unrealized gain on investments	(5,818,374)	(6,655,782)
Donations permanently restricted for endowment	(34,980,738)	(28,788,001)
Changes in assets and liabilities:		
Pledges, notes and other receivables	(13,280,927)	334,110
Prepaid expenses	(78,163)	69,916
Cash surrender value of life insurance	(2,726)	5,039
Accrued expenses	(282,986)	352,481
Distributions payable	2,152,102	(702,577)
Net cash provided by (used in) operating activities	4,457,498	(14,036,468)
Cash flows from investing activities:		
Net (purchases of) proceeds from investments	(44,706,611)	(1,513,675)
Purchases of property and equipment	(57,661)	(76,583)
Net cash used in investing activities	(44,764,272)	(1,590,258)
Cash flows from financing activities:		
Donations permanently restricted for endowment	34,980,738	28,788,001
(Increase) decrease in assets held in trust	(8,741,336)	13,245,540
(Decrease) increase in liability under gift annuities	(7,013)	7,446
Increase (decrease) in liability under trust agreements	5,355,039	(16,259,446)
Increase in funds held as agency endowments	2,776,498	1,784,930
Net cash provided by financing activities	34,363,926	27,566,471
Net change in cash and cash equivalents	(5,942,848)	11,939,745
Cash and cash equivalents, beginning of year	23,908,692	11,968,947
Cash and cash equivalents, end of year	\$ 17,965,844	\$ 23,908,692

See accompanying notes to the financial statements.

# Community Foundation for a greater Richmond

## Notes to 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 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.

### 2. Summary of Significant Accounting Policies:

**Basis of Presentation:** The Foundation has certain affiliated entities and supporting organizations of the Foundation. The supporting organizations are considered affiliated due to shared governance, financial relationships, and operating activities. The financial position and activities of these affiliates is not consolidated in these financial statements; however, the Foundation consolidates the financial statements of these affiliates for its primary financial reporting purposes.

**Basis of Accounting:** The Foundation prepares its 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 considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments:** The Foundation's investments are reported at fair value in the 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 financial statements. Unrealized gains and losses are included in the Statements of Activities.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

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

**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 totaled \$975,729 and \$711,685 as of December 31, 2021 and 2020, 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.

*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, 2021 and 2020, 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.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

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

**Revenue Recognition, Continued:** Expiration of donor-imposed restrictions on net assets are reported as net assets released from restriction on the 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.

**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 maintains its cash and cash equivalents in several financial institutions. 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 believes its credit risk related to these receivables is limited due to the nature of its donors.

**Income Taxes:** 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.

**Income Tax Uncertainties:** The Foundation follows 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 financial statements. The interpretation also provides guidance on derecognition, classification, interest and penalties, disclosure and transition.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

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

**Income Tax Uncertainties, Continued:** 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 its 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.

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

The 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 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 financial statements and the reported amounts of support and revenue and expenditures during the reporting period. Actual results could differ from those estimates.

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

**Subsequent Events:** Management has evaluated subsequent events through June 21, 2022, the date the financial statements were available to be issued and has determined that there are no items to be disclosed.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

#### 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 date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents, non-endowed	\$ 16,596,991	\$ 22,106,841
Investments, short-term and liquid	150,441,240	101,522,050
Pledges, notes and other receivables	<u>9,987,250</u>	<u>1,049,472</u>
	177,025,481	124,678,363
Less: donor and committee advised funds	<u>(143,915,106)</u>	<u>(105,023,534)</u>
Available for general expenditure	<u>\$ 33,110,375</u>	<u>\$ 19,654,829</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 \$2,310,981 and \$2,078,937 as of December 31, 2021 and 2020, respectively.

#### 4. Investments in the Richmond Fund:

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 entered into an investment partnership with the University called The Richmond Fund, LP (the "Richmond Fund").

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

#### 4. Investments in the Richmond Fund, 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, 2021, the Foundation owned 20.8% of the Richmond Fund, LP.

For the years ended December 31, 2021 and 2020, activity was as follows:

Balance, January 1, 2020		\$	444,512,855
Additions			20,700,000
Distributions			(40,000,000)
Investment income			88,361,502
			513,574,357
Balance, December 31, 2020			513,574,357
Distributions			(15,000,000)
Investment income			104,746,885
			603,321,242
Balance, December 31, 2021		\$	603,321,242

Net change in value of investment in The Richmond Fund, LP, net realized and unrealized gain on investments, and net investment income included in the accompanying statements of activities, in total, is shown net of investment expenses of \$2,586,289 for 2021 and \$5,316,091 for 2020.

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

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

	2021		2020	
	Current	Long-term	Current	Long-term
Pledges receivable	\$ 5,527,500	\$ -	\$ 18,801	\$ 162,794
Receivable from charitable trusts	9,931,953	6,710,649	450,132	8,042,757
Other receivables	-	-	215,467	-
	\$ 15,459,453	\$ 6,710,649	\$ 684,400	\$ 8,205,551

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

#### 5. Pledges, Notes, and Other Receivables, Continued:

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

	<u>Amount</u>
Within 1 year	\$ 15,459,453
1-5 years	2,344,475
More than 5 years	<u>4,366,174</u>
	<u>\$ 22,170,102</u>

The Foundation used a rate of 1.6% and 0.6% at December 31, 2021 and 2020, respectively, to discount to present value its pledges receivable.

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

The Foundation entered into a lease for office space on March 26, 2018. The initial term of this lease commenced in November 2018. Rent payments commenced 150 days after the lease commencement date (November 7, 2018). The lease will continue for 124 months following the rent commencement date (April 5, 2019, with the first full payment due 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 accounting standards, 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.

An amendment to the lease was entered into on November 14, 2018, to include additional rentable space adjacent to the space covered by the original lease. Rent payments commenced 150 days after the lease commencement date (April 13, 2019). The lease will continue for 116 months following the rent commencement date (September 9, 2019, with the first full payment due October 1, 2019). 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.

Community Foundation for a greater Richmond

Notes to Financial Statements, Continued

6. Right of Use Asset and Operating Lease Liability, Continued:

Future maturities of the operating lease liabilities as of December 31, 2021 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 415,061
2023	425,444
2024	436,063
2025	446,979
2026	458,142
Thereafter	<u>1,254,903</u>
	3,436,592
Less: discount to present value	<u>(411,893)</u>
	<u>\$ 3,024,699</u>

7. Cash Surrender Value of Life Insurance:

Cash surrender value of life insurance is carried at its stated value which approximates its fair value. As of December 31, 2021 and 2020, the Foundation was the beneficiary of two life insurance policies with total face amount of \$10,100,000.

8. Distributions Payable:

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

<u>Year</u>	<u>Amount</u>
2022	\$ 4,250,812
2023	2,233,967
2024	547,275
2025	149,394
2026	120,038
Thereafter	<u>432,051</u>
Total	<u>\$ 7,733,537</u>

The Foundation used a rate of 1.6% and 0.6% at December 31, 2021 and 2020, respectively, to discount to present value its distributions payable.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

#### 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 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 1.6% and 0.6% as of December 31, 2021 and 2020, respectively, per IRC Section 7520(a).

The Foundation is the named trustee and beneficiary of one charitable lead trust. Under the trust agreement, the lead trust pays 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 trust is included on the 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 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 2021 and 2020, the changes in value of these split interest agreements were \$847,323 and \$1,127,771, respectively. These amounts are included on the Statements of Activities as a component of net realized and unrealized gain 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 August 31, 2022. Interest on funds advanced is payable monthly at the SOFR (Secured Overnight Financing Rate) plus 1.75% (1.80% at December 31, 2021). Previously interest was charged at the one-month LIBOR rate plus 1.75%, subject to a floor of 2.75% (2.75% at December 31, 2020). There were no borrowings on the line of credit during 2021 or 2020.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

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

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

	<u>2021</u>	<u>2020</u>
Endowment funds	\$ 460,753,868	\$ 368,187,171
Beneficial interest in trusts	23,659,531	20,860,195
Program specific funds	<u>18,554,147</u>	<u>18,998,639</u>
	<u>\$ 502,967,546</u>	<u>\$ 408,046,005</u>

Amounts released from restriction in 2021 and 2020 relate primarily to the occurrence of the passage of time and appropriation of spendable amounts from endowment funds.

#### 12. Endowment Funds:

The Foundation's endowment consists of approximately 534 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.

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

#### 12. Endowment Funds, Continued:

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.

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 equal to 4% of the trailing 12-quarter average of each fund (with flexibility to spend up to 5%), 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.

Community Foundation for a greater Richmond

Notes to Financial Statements, Continued

12. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the years ended December 31, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2020	\$ 25,551,300	\$ 288,919,618	\$ 314,470,918
Investment gain, net	4,540,832	61,732,921	66,273,753
New gifts	101,329	28,788,001	28,889,330
Appropriation of endowment assets for expenditure	<u>(2,784,503)</u>	<u>(11,253,369)</u>	<u>(14,037,872)</u>
Net assets, December 31, 2020	27,408,958	368,187,171	395,596,129
Investment gain, net	5,233,105	71,645,093	76,878,198
New gifts	9,463,201	34,980,738	44,443,939
Appropriation of endowment assets for expenditure	<u>(1,621,126)</u>	<u>(14,059,134)</u>	<u>(15,680,260)</u>
Net assets, December 31, 2021	<u>\$ 40,484,138</u>	<u>\$ 460,753,868</u>	<u>\$ 501,238,006</u>

**Community Foundation for a greater Richmond**

Notes to Financial Statements, Continued

**12. Endowment Funds, Continued:**

Endowment net asset composition was as follows as of December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 40,484,138	\$ -	\$ 40,484,138
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	278,639,900	278,639,900
Accumulated investment gains	-	182,113,968	182,113,968
	\$ 40,484,138	\$ 460,753,868	\$ 501,238,006
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 27,408,958	\$ -	\$ 27,408,958
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	243,659,162	243,659,162
Accumulated investment gains	-	124,528,009	124,528,009
	\$ 27,408,958	\$ 368,187,171	\$ 395,596,129

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, 2021 and 2020, funds with deficiencies of \$25,534 and \$28,944, respectively, were reported in net assets with donor restrictions.

	2021	2020
Fair value of underwater endowment funds	\$ 63,626	\$ 1,589,091
Original endowment gift amount	89,160	1,618,035
Deficiencies of underwater endowment funds	\$ (25,534)	\$ (28,944)

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

#### 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 Level 3 assets held as of December 31, 2021 or 2020.

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 Financial Statements, Continued

13. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021 include the following:

	Fair Value Using		Investments valued at NAV as practical expedient	Assets/ liabilities at Fair Value
	Level 1	Level 2		
Assets:				
Investments:				
Cash equivalents	\$ 67,803,936	\$ -	\$ -	\$ 67,803,936
Equity securities	45,133,191	-	-	45,133,191
Bond index funds	18,599,232	-	-	18,599,232
The Richmond Fund, LP	-	-	603,321,242	603,321,242
Total investments	<u>131,536,359</u>	<u>-</u>	<u>603,321,242</u>	<u>734,857,601</u>
Pledges, notes and other receivables	15,460,229	6,710,649	-	22,170,878
Cash surrender value of life insurance	-	45,457	-	45,457
Assets held in trusts	<u>80,549,077</u>	<u>-</u>	<u>-</u>	<u>80,549,077</u>
Total	<u>\$227,545,665</u>	<u>\$ 6,756,106</u>	<u>\$ 603,321,242</u>	<u>\$ 837,623,013</u>
Liabilities:				
Distributions payable	\$ -	\$ 7,733,537	\$ -	\$ 7,733,537
Liability under gift annuities	-	24,412	-	24,412
Liability under trust agreements	-	52,296,839	-	52,296,839
Funds held as agency endowments	<u>-</u>	<u>11,981,841</u>	<u>-</u>	<u>11,981,841</u>
Total	<u>\$ -</u>	<u>\$ 72,036,629</u>	<u>\$ -</u>	<u>\$ 72,036,629</u>

## Community Foundation for a greater Richmond

### Notes to Financial Statements, Continued

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 include the following:

	Fair Value Using		Investments valued at NAV as practical expedient	Assets/ liabilities at Fair Value
	Level 1	Level 2		
Assets:				
Investments:				
Cash equivalents	\$ 34,115,458	\$ -	\$ -	\$ 34,115,458
Equity securities	31,902,233	-	-	31,902,233
The Richmond Fund, LP	-	-	513,574,357	513,574,357
Total investments	66,017,691	-	513,574,357	579,592,048
Pledges, notes and other receivables	684,400	8,205,551	-	8,889,951
Cash surrender value of life insurance	-	42,731	-	42,731
Assets held in trusts	71,807,741	-	-	71,807,741
Total	\$138,509,832	\$ 8,248,282	\$ 513,574,357	\$ 660,332,471
Liabilities:				
Distributions payable	\$ -	\$ 5,581,435	\$ -	\$ 5,581,435
Liability under gift annuities	-	31,425	-	31,425
Liability under trust agreements	-	46,941,800	-	46,941,800
Funds held as agency endowments	-	9,205,343	-	9,205,343
Total	\$ -	\$ 61,760,003	\$ -	\$ 61,760,003

Equity securities are valued based on the listed price on the reporting date. Bond index funds valued at the closing price as reported on the active market on which the funds are traded. Certain investments, including the investment in the Richmond Fund, are valued using NAV as a practical expedient. The Foundation had no unfunded commitments to alternative investments as of December 31, 2021 and 2020, respectively.

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 Financial Statements, Continued

#### 14. 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 \$142,405 for 2021 and \$148,545 for 2020.

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 \$64,933 for 2021 and \$108,407 for 2020. Effective December 31, 2008, the plan sponsor, United Way of Greater Richmond & Petersburg, froze 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 may be required to make future contributions to the Plan. During 2021, the United Way of Greater Richmond & Petersburg began the termination process for the pension plan.

In December 2014, the Foundation established a 401(a) discretionary contribution plan. There were no contributions in 2021 and \$30,000 of contributions in 2020. 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.

#### 15. Indemnifications:

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