



Financial Statements

December 31, 2020 and 2019



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CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Governing Board of
Charlottesville Area Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Charlottesville Area Community Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, 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.

Prior Period Adjustments

As described in Note 8 to the financial statements, the Foundation did not properly account for certain conditional grants in the 2019 financial statements. The error was discovered subsequent to the issuance of our audit report on the 2019 financial statements, dated September 29, 2020. Accordingly, the beginning of year net assets, grants payable, grant expense, and end of year net assets have been restated on the 2019 statement of financial position and statement of activities.

As also described in Note 8 to the financial statements, the Foundation did not properly account for a beneficial interest in trust that was terminated in 2019. The error was discovered subsequent to the issuance of our audit report on the 2019 financial statements, dated September 29, 2020. Accordingly, investments, beneficial interest in trusts, net assets released from restriction, and end of year net assets with and without donor restrictions have been restated on the 2019 statement of financial position and statement of activities.

A handwritten signature in black ink, appearing to read "Keith", with a long, sweeping horizontal stroke extending to the right.

June 1, 2021
Glen Allen, Virginia

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statements of Financial Position
December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>As Restated 2019</u>
Cash	\$ 901,112	\$ 861,402
Investments, at fair value	251,975,573	207,494,701
Notes receivable	-	20,128
Beneficial interests in trusts	30,575,576	23,375,351
Real estate held for resale	558,000	7,000
Property and equipment, net of accumulated depreciation of \$98,102 and \$94,408, respectively	13,961	14,272
Other assets	20,243	-
Total assets	<u>\$ 284,044,465</u>	<u>\$ 231,772,854</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 2,212	\$ -
Grants payable	690,833	2,491,758
Annuity payable	-	4,381
Agency funds payable	37,003,551	26,468,656
Total liabilities	<u>37,696,596</u>	<u>28,964,795</u>
Net assets:		
Without donor restrictions:		
Board advised	26,904,353	20,453,132
Field of interest	8,477,493	7,092,202
Designated	8,126,664	6,675,464
Scholarships	14,145,584	11,010,409
Donor and committee advised	158,058,199	134,138,958
Total net assets without donor restrictions	<u>215,712,293</u>	<u>179,370,165</u>
With donor restrictions:		
Beneficial interest in trusts	30,575,576	23,377,894
Principal gift held in perpetuity	60,000	60,000
Total net assets with donor restrictions	<u>30,635,576</u>	<u>23,437,894</u>
Total net assets	<u>246,347,869</u>	<u>202,808,059</u>
Total liabilities and net assets	<u>\$ 284,044,465</u>	<u>\$ 231,772,854</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statement of Activities
Year Ended December 31, 2020, with Summarized Financial Information for 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	As Restated 2019 Totals
Revenues, gains, and support:				
Contributions and agency receipts	\$ 24,543,103	\$ -	\$ 24,543,103	\$ 16,953,232
Gifts in-kind	56,076	-	56,076	64,492
Less: amounts for agency receipts	3,122,947	-	3,122,947	6,759,454
Total contributions	21,476,232	-	21,476,232	10,258,270
Dividends and interest, net of fees of \$778,593	2,323,510	-	2,323,510	2,851,871
Net realized investment gains	3,395,459	-	3,395,459	1,732,409
Net unrealized investment gains	36,110,225	-	36,110,225	21,763,329
Change in value of split interest agreements (trusts)	-	8,514,462	8,514,462	4,507,529
Fee income	306,103	-	306,103	203,752
Other income	198,898	-	198,898	4,203
Total revenues, gains, and support	63,810,427	8,514,462	72,324,889	41,321,363
Net assets released from restrictions	1,316,780	(1,316,780)	-	-
Expenses:				
Program:				
Grants and distributions	27,496,139	-	27,496,139	21,173,817
Less: distributions from agency funds	917,317	-	917,317	763,576
Total grants	26,578,822	-	26,578,822	20,410,241
Program expenses other than grants	1,253,100	-	1,253,100	1,010,030
Total program	27,831,922	-	27,831,922	21,420,271
General administration	881,073	-	881,073	953,458
Fundraising	72,084	-	72,084	60,373
Total expenses	28,785,079	-	28,785,079	22,434,102
Change in net assets	36,342,128	7,197,682	43,539,810	18,887,261
Net assets, beginning of year - as restated (Note 8)	179,370,165	23,437,894	202,808,059	183,920,798
Net assets, end of year	\$ 215,712,293	\$ 30,635,576	\$ 246,347,869	\$ 202,808,059

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statement of Activities – As Restated
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and support:			
Contributions and agency receipts	\$ 16,953,232	\$ -	\$ 16,953,232
Gifts in-kind	64,492	-	64,492
Less: amounts for agency receipts	6,759,454	-	6,759,454
Total contributions	10,258,270	-	10,258,270
Dividends and interest, net of fees of \$498,223	2,851,871	-	2,851,871
Net realized investment gains	1,732,409	-	1,732,409
Net unrealized investment gains	21,763,329	-	21,763,329
Change in value of split interest agreements (trusts)	-	4,507,529	4,507,529
Fee income	203,752	-	203,752
Other income	4,203	-	4,203
Total revenues, gains, and support	36,813,834	4,507,529	41,321,363
Net assets released from restrictions	4,047,387	(4,047,387)	-
Expenses:			
Program:			
Grants and distributions	21,173,817	-	21,173,817
Less: distributions from agency funds	763,576	-	763,576
Total grants	20,410,241	-	20,410,241
Program expenses other than grants	1,010,030	-	1,010,030
Total program	21,420,271	-	21,420,271
General administration	953,458	-	953,458
Fundraising	60,373	-	60,373
Total expenses	22,434,102	-	22,434,102
Change in net assets	18,427,119	460,142	18,887,261
Net assets, beginning of year	160,943,046	22,977,752	183,920,798
Net assets, end of year	\$ 179,370,165	\$ 23,437,894	\$ 202,808,059

See accompanying notes to the financial statements.

CHARLOTTEVILLE AREA COMMUNITY FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2020, with Summarized Financial Information for 2019

	Program Services	General Administration	Fundraising	2020 Total	2019 Total
Grant expense	\$ 26,578,822	\$ -	\$ -	\$ 26,578,822	\$ 20,410,241
Salaries, wages, and employee benefits	851,967	549,147	31,928	1,433,042	1,185,863
Professional fees	117,197	115,576	12,678	245,451	338,849
Computer services	110,773	88,619	22,155	221,547	106,588
Occupancy	74,970	60,244	2,813	138,027	138,927
Miscellaneous	28,757	18,635	1,055	48,447	52,915
Taxes	-	34,708	-	34,708	58,066
Banking and credit card fees	28,840	55	-	28,895	6,981
Bad debt expense	23,538	-	-	23,538	-
Office supplies, printing, and publications	12,030	10,559	820	23,409	23,660
Communications and public relations	2,750	2,200	550	5,500	59,623
Depreciation	2,278	1,330	85	3,693	3,320
Special events	-	-	-	-	49,069
	<u>\$ 27,831,922</u>	<u>\$ 881,073</u>	<u>\$ 72,084</u>	<u>\$ 28,785,079</u>	<u>\$ 22,434,102</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	General Administration	Fundraising	Total
Grant expense	\$ 20,410,241	\$ -	\$ -	\$ 20,410,241
Salaries, wages, and employee benefits	639,524	530,534	15,805	1,185,863
Professional fees	172,567	144,836	21,446	338,849
Occupancy	59,006	78,672	1,249	138,927
Computer services	53,429	43,108	10,051	106,588
Communications and public relations	29,812	23,849	5,962	59,623
Taxes	-	58,066	-	58,066
Miscellaneous	11,949	40,668	298	52,915
Special events	24,535	19,628	4,906	49,069
Office supplies, printing, and publications	10,532	12,505	623	23,660
Banking and credit card fees	6,817	164	-	6,981
Depreciation	1,859	1,428	33	3,320
	<u>\$ 21,420,271</u>	<u>\$ 953,458</u>	<u>\$ 60,373</u>	<u>\$ 22,434,102</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>As Restated 2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 43,539,810	\$ 18,887,261
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized gain on investments	(3,395,459)	(1,732,409)
Unrealized gain on investments	(36,110,225)	(21,763,329)
Change in value of split interest agreements	(8,518,843)	(4,507,529)
Transfer of investment interest from terminated beneficial interest in trust	-	(2,649,823)
Depreciation	3,693	3,320
Collection of interests in trusts	1,314,237	1,329,494
Non-cash contribution of investments	(2,119,936)	-
Non-cash contribution of real estate	(551,000)	-
Write-off of notes receivable	20,128	-
Changes in operating assets and liabilities:		
Contributions receivable	-	1,082,805
Other assets	(20,243)	-
Accounts payable	2,212	(25,840)
Grants payable	(1,800,925)	(656,774)
Agency funds payable	10,534,895	9,473,840
Held in trust for others	-	(16,315)
Net cash provided by (used in) operating activities	<u>2,898,344</u>	<u>(575,299)</u>
Cash flows from investing activities:		
Purchases of investments, net of sale proceeds	(2,855,252)	(1,824,899)
Purchase of property and equipment	<u>(3,382)</u>	<u>(5,235)</u>
Net cash used in investing activities	<u>(2,858,634)</u>	<u>(1,830,134)</u>
Net change in cash	39,710	(2,405,433)
Cash, beginning of year	<u>861,402</u>	<u>3,266,835</u>
Cash, end of year	<u>\$ 901,112</u>	<u>\$ 861,402</u>
Supplemental disclosure of cash flow information		
Non-cash investing transactions:		
Transfer of investment interest from terminated beneficial interest in trust	<u>\$ -</u>	<u>\$ 2,649,823</u>
Non-cash contribution of investments	<u>\$ 2,119,936</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements

1. Nature of Foundation:

Charlottesville Area Community Foundation (the "Foundation") is a non-stock corporation organized under the laws of the Commonwealth of Virginia. The mission of the Foundation is to create equitable, just, sustainable, and life-improving opportunities in the city of Charlottesville and the surrounding counties of Albemarle, Buckingham, Fluvanna, Greene, Louisa, Nelson, and Orange. The Foundation believes that strong community relationships are powerful forces for change, especially when they are founded on a shared vision of a thriving region that works for everyone. The Foundation makes grants to support partner organizations working to address community challenges and opportunities, while working with donors to fulfill their philanthropic interests and conduct tax-efficient charitable giving.

2. Summary of Significant Accounting Policies:

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

The financial statements are presented in accordance with FASB guidance, which requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include: 1) Revenues and expenses of the primary operations of the Foundation 2) Donor-restricted contributions, sponsorships and grants whose restrictions are met in the same reporting period 3) Board designated funds as assessed by the Governing Board for use of the Foundation's discretionary grants program and to partially support administrative operations.

Board designated funds include board advised funds, field of interest funds, designated funds, scholarship funds, and donor and committee advised funds. Board advised funds are used for grant making, administrative expenses, and discretionary spending based on spending policies established by the Governing Board. Field of interest and designated funds are reserved for the use of awarding grants to community organizations serving a particular field of interest as identified by donors or to serve for the use of providing supporting gifts to a nonprofit that is specified by donors. Scholarship funds support individuals in their pursuit of educational opportunities in accordance with donor-defined award criteria, with scholarship distributions paying the funds directly to an educational institution. Donor and committee advised funds are those funds where a donor or group of donors wish to be actively involved in the choice of grant recipients and have ongoing involvement by recommending gifts to address needs in the Charlottesville area and surrounding communities.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

Net Assets With Donor Restrictions— Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they may be maintained permanently by the Foundation to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the periods reported. Actual results could differ from those estimates.

Cash: The Foundation considers cash in demand deposits, money market accounts and other highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies. Thus, cash in operating accounts is included in the statements of financial position as cash, and other cash and equivalents are included in investments. The balances in these accounts at times may exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities. Investment income, gains, and losses are reported as increases or decreases in net assets with or without donor restrictions based upon donor or time restrictions. Donated investments are recorded at their fair value on the date of the contribution.

Beneficial Interests in Trusts: The Foundation has been named the beneficiary of several charitable remainder trusts and charitable lead trusts. Contribution revenue based on the present value of the expected benefits was recognized as being with donor restrictions in the years the trusts were funded due to the implied time restrictions. The lead trusts make distributions to the Foundation for the term of the trust. The remainder trusts make distributions to other beneficiaries for the term of the trust or life of the grantor and the Foundation will receive the remaining amount of the trust assets at termination.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Beneficial Interests in Trusts, Continued: The Foundation held the assets for one of the remainder trusts as of December 31, 2019, reported in investments in the statements of financial position with a balance of \$2,543 as of December 31, 2019. The balance was \$0 by December 31, 2020 and the assets of all other trusts are held by external trustees. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the beneficiary based on actuarial assumptions for the remainder trusts and the beneficial value remaining on the lead trusts. The present value of the estimated future benefits was calculated using a discount rate of 0.6% in 2020 and a rate ranging from 2.0% to 6.0% in 2019. For 2020 and 2019, the change in value on these split-interest agreements totaled \$8,514,462 and \$4,507,529, respectively.

Property and Equipment: Property and equipment with costs in excess of \$750 are capitalized and stated at cost less accumulated depreciation. Depreciation of the property and equipment is computed using the straight-line method over a period of 3 to 7 years. Depreciation expense was \$3,693 for 2020 and \$3,320 for 2019.

Agency Obligations: The Foundation accepts assets from unaffiliated nonprofit Foundations (“agencies”) that name themselves or their affiliates as the beneficiaries of the funds created. In accordance with generally accepted accounting principles, a liability has been established for the fair value of the funds and no contribution revenue was recognized for the period in which the agency funds are received.

Support and Revenue Recognition: The bylaws and fund agreements of the Foundation include a Variance Provision giving the Governing Board the power to vary the use of funds. While the Foundation attempts to meet the desires of the donors or advisors, the Foundation reserves the right to modify any recommended distributions from funds if, in the sole judgment of the Foundation’s Board, such distributions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or if a distribution requested by a donor would result in use of funds contrary to the intent originally understood.

Based on the Variance Provision, substantially all contributions received by the Foundation are reported as support without donor restrictions, except for assets related to charitable lead and remainder trusts, which are classified as support with donor restrictions due to the time restrictions on the assets, and one fund which the donor restricted for the principal to be invested permanently and only the income is available for distributions.

Charitable remainder trusts and charitable lead trusts are reported as support with donor restrictions until collected. When a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions to agencies are reported as a liability.

Contributions of donated noncash assets are recorded at their fair values in the period received.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Contributed Services: Many individuals volunteer their time by assisting with committee assignments and donor relations, but these services do not meet the criteria for recognition as contributed services under GAAP.

Advertising: Advertising costs of \$105,692 for 2020 and \$59,623 for 2019, were expensed as incurred.

Lease Expense: Lease expense for office space and equipment is expensed as incurred. Total operating lease expense was \$89,737 for 2020 and \$82,492 for 2019, including in-kind rent of \$56,076 and \$64,492 respectively, related to an office space lease. The Foundation has no material commitments related to leases.

Functional Allocation of Expenses: The costs of providing support to fundholders, component funds, local charities and nonprofits have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among various functional areas. Costs related to personnel are allocated amongst functions based upon the percent of time each employee spends performing each function as defined by their position. Occupancy costs have been allocated based on the percent of time each employee spends performing each function as defined by their position. All other non-grant costs have been allocated among program, general administration, and fundraising on the basis of the activity benefited based on management's estimates.

Grants: Unconditional grants are recorded as expense in the year they are approved by the Board. The Foundation had conditional grants totaling \$996,414 as of December 31, 2020. Payment is conditional upon the grantee organizations overcoming specific barriers as laid out in the grant agreements.

Income Taxes: The Foundation is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes on exempt income included in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation other than a private foundation under Section 509(a)(1). As a result of certain investments, the Foundation is subject to unrelated business income tax.

Income Tax Uncertainties: The Foundation follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties, Continued: Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Foundation is not currently under audit by any tax jurisdiction.

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

Subsequent Events: Management has evaluated subsequent events through June 1, 2021, the date the financial statements were available to be issued and has determined that there are no items to be recognized or disclosed.

3. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are funded primarily through administrative fees assessed on component fund balances. Administrative, board-designated funds also support operating expenditure. These funds totaled \$11,504,471 at December 31, 2020 and \$8,431,772 at December 31, 2019 and follow the Foundation's spending policy which allows for spending of 4 to 5 percent of the three-year semi-annual average balance (4.5% for 2021).

In addition, the Foundation maintains balances in bank accounts for day-to-day expenditures and monthly payroll.

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

4. Fair Value Measurements:

The Foundation has adopted FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and 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 or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

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.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Money market: Valued at the cash balance.

Marketable equity securities, EFTs, and mutual funds: Valued at closing prices reported on the active market on which the individual securities are traded.

Marketable debt securities: Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

Strategy funds and hedge funds: Valued at the net asset value ("NAV") of shares held at year-end as determined by general partners of the funds.

Real estate held for resale: Valued using listing prices for real estate currently marketed.

Real estate companies: Valued using recent assessments of the underlying assets or the direct capitalization income method.

Beneficial interest in trusts: Valued using the fair value of underlying assets of the trust as an estimate for the present value of the expected future cash flows discounted at 0.6% for 2020 and 2.0% to 6.0% for 2019.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

Grants payable: Valued at the sum of future payables adjusted to the present value using a discount rate of 2.0% during 2019. No discount was necessary for grants payable due in future years as of December 31, 2020.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020:

	Fair Value Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Investment money market accounts	\$ 12,520,348	\$ -	\$ -	\$ 12,520,348
Marketable equity securities and ETFs:				
Domestic	95,363,446	-	-	95,363,446
International	25,148,569	-	-	25,148,569
Marketable equity mutual funds:				
Domestic	8,924,816	-	-	8,924,816
International	14,261,730	-	-	14,261,730
Marketable debt securities:				
Domestic mutual funds	79,591	-	-	79,591
Corporate bonds	-	28,040,713	-	28,040,713
Government obligations	-	12,602,947	-	12,602,947
International obligations	-	658,953	-	658,953
Real asset funds	-	1,561,063	-	1,561,063
Real estate held for resale	-	-	558,000	558,000
Real estate companies	-	-	5,214,934	5,214,934
Beneficial interests in trusts	-	-	30,575,576	30,575,576
Total assets in the fair value hierarchy	<u>\$ 156,298,500</u>	<u>\$ 42,863,676</u>	<u>\$ 36,348,510</u>	235,510,686
Investments measured at NAV (a)				<u>47,598,463</u>
Total assets at fair value				<u>\$ 283,109,149</u>
Liabilities:				
Agency funds payable	<u>\$ -</u>	<u>\$ 37,003,551</u>	<u>\$ -</u>	<u>\$ 37,003,551</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 37,003,551</u>	<u>\$ -</u>	<u>\$ 37,003,551</u>

(a) In accordance with FASB guidance related to fair value, investments that were measured using NAV per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position and consist of investments in Bluestem Partners, LP and other alternative investment funds. The investment in Bluestem Partners, LP is subject to a revolving three-year lockup period requiring 90 day written notice for withdrawal.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019:

	Fair Value Using			Total
	Level 1	Level 2	Level 3	
Assets:				
Investment money market accounts	\$ 15,309,242	\$ -	\$ -	\$ 15,309,242
Marketable equity securities and ETFs:				
Domestic	62,778,396	-	-	62,778,396
International	21,002,162	-	-	21,002,162
Marketable equity mutual funds:				
Domestic	18,779,339	-	-	18,779,339
International	12,183,134	-	-	12,183,134
Marketable debt securities:				
Domestic mutual funds	75,573	-	-	75,573
Corporate bonds	-	32,906,828	-	32,906,828
Government obligations	-	13,552,339	-	13,552,339
International obligations	-	301,409	-	301,409
Real asset funds	-	1,702,912	-	1,702,912
Real estate holdings	-	-	7,000	7,000
Notes receivable	-	-	20,128	20,128
Real estate companies	-	-	2,649,823	2,649,823
Beneficial interests in trusts	-	-	23,375,351	23,375,351
Total assets in the fair value hierarchy	<u>\$ 130,127,846</u>	<u>\$ 48,463,488</u>	<u>\$ 26,052,302</u>	204,643,636
Investments measured at NAV (a)				<u>26,253,544</u>
Total assets at fair value				<u>\$ 230,897,180</u>
Liabilities:				
Grants payable	\$ -	\$ 2,491,758	\$ -	\$ 2,491,758
Annuity payable	-	4,381	-	4,381
Agency funds payable	-	26,468,656	-	26,468,656
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 28,964,795</u>	<u>\$ -</u>	<u>\$ 28,964,795</u>

There were no transfers into or out of level 3 during 2020 and 2019. The Foundation had collections on beneficial interests in trusts (level 3) amounting to \$1,316,780 during 2020 and \$4,047,387 during 2019, including transfer of an investment interest from a terminated trust totaling \$2,649,823. During 2020, the Foundation received contributions of Level 3 assets totaling \$2,670,936, including non-cash contributions of investments totaling \$2,119,936 and redemptions totaling \$20,128.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

5. Grants Payable:

The Foundation's Board approved multi-year grants and scholarships payable in future years. Commitments for grants and scholarships outstanding as of December 31, 2020 are due as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 440,833
2022	213,500
2023	16,000
2024	11,000
2025	<u>9,500</u>
Total	<u>\$ 690,833</u>

No discount for present value was recorded for 2020. Amounts were discounted using a rate of 2.0% as of December 31, 2019.

6. Net Assets With Donor Restrictions:

Net assets with donor restrictions result from the implied time restriction related to the future interests in trusts totaling \$30,575,576 as of December 31, 2020 and \$23,377,894 as of December 31, 2019. The amounts released from restrictions were \$1,316,780 for 2020 and \$4,047,387 for 2019.

Net assets with donor restrictions of \$60,000 consist of the historic gift amount of one fund where assets are to be held in perpetuity. The income from these net assets is expendable without donor restriction.

7. Retirement Plan:

The Foundation offers an optional salary deferral plan for employees. The Foundation matched contributions of \$62,942 during 2020 and \$50,996 during 2019.

8. Prior Period Adjustments – Correction of an Error:

During 2020, the Foundation determined it did not properly account for certain conditional grants during 2019 and prior. Accordingly, in the accompanying 2019 financial statements, the previously reported 2019 beginning net assets were increased by \$1,356,994, grant expense was decreased by \$405,588, and grants payable balances were decreased by \$1,762,582 to reflect this restatement. The 2019 ending net assets were increased by \$1,762,582 to reflect the cumulative impact of the error.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

8. Prior Period Adjustments – Correction of an Error, Continued:

During 2020, the Foundation determined it did not properly account for the termination of a beneficial interest in trust during 2019 totaling \$2,649,823. Accordingly, in the accompanying 2019 financial statements, the previously reported 2019 beneficial interests in trusts was decreased, investments were increased, net assets released from restriction was increased, net assets with donor restriction was decreased, and net assets without donor restriction was increased by the same amount.

9. New Accounting Guidance:

Gifts-in-kind: In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2020-07, “Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.” The standard provides additional guidance to nonprofit organizations on how to record and disclose in-kind contributions. The overall purpose of the update is to provide more transparency in how organizations are receiving and valuing in-kind contributions. The ASU requires nonprofit organizations to present in-kind contributions as a separate line item in the statement of activities and to provide additional disclosures in the footnotes covering the following areas:

- A description of the organization’s policy for monetizing or utilizing in-kind contributions;
- A listing of in-kind contributions categorized by type with a description about whether each type was monetized or utilized during the reporting period;
- For in-kind contributions that were utilized during the reporting period, the nonprofit must include a description of the programs or activities in which those contributions were used; and
- A description of the valuation process utilized by the organization to determine the fair value of the in-kind contributions.

The ASU is effective for periods beginning after June 30, 2021. The Foundation is currently evaluating the reporting and economic implications of the new standard.

Leases: In February 2016, the FASB issued an ASU for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. The new standard will be effective for periods beginning after December 15, 2021 and will require entities to use a modified retrospective approach to the earliest period presented. The Foundation is currently evaluating the reporting and economic implications of the new standard.