



## Financial Statements

December 31, 2017 and 2016



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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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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.

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

September 24, 2018  
Glen Allen, Virginia

**CHARLOTTESVILLE AREA COMMUNITY FOUNDATION**

Statements of Financial Position  
December 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 1,048,131	\$ 430,027
Investments, at fair value	172,891,238	153,686,443
Contributions receivable	5,116,333	-
Notes receivable	20,163	32,436
Beneficial interests in trusts	22,589,229	23,259,727
Real estate	7,000	7,000
Property and equipment, net of accumulated depreciation of \$88,064 and \$84,327, respectively	<u>13,467</u>	<u>5,897</u>
<b>Total assets</b>	<b><u>\$ 201,685,561</u></b>	<b><u>\$ 177,421,530</u></b>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 27,061	\$ 24,697
Grants payable	5,047,681	5,931,236
Annuity payable	4,381	4,381
Agency funds payable	18,764,522	14,747,699
Liability for amounts held in trust for others	<u>14,566</u>	<u>10,377</u>
<b>Total liabilities</b>	<b><u>23,858,211</u></b>	<b><u>20,718,390</u></b>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	15,231,130	12,945,800
Field of interest	3,163,584	2,228,605
Designated	6,273,629	4,050,713
Scholarships	8,253,213	7,101,447
Donor and committee advised	<u>122,174,222</u>	<u>106,976,781</u>
<b>Total unrestricted</b>	<b>155,095,778</b>	<b>133,303,346</b>
Temporarily restricted	22,671,572	23,339,794
Permanently restricted	<u>60,000</u>	<u>60,000</u>
<b>Total net assets</b>	<b><u>177,827,350</u></b>	<b><u>156,703,140</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 201,685,561</u></b>	<b><u>\$ 177,421,530</u></b>

See accompanying notes to the financial statements.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Statement of Activities Year Ended December 31, 2017, with Summarized Financial Information for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
Revenues, gains, and support:					
Contributions and agency receipts	\$ 19,065,882	\$ -	\$ -	\$ 19,065,882	\$ 24,059,400
Gifts in-kind	55,384	-	-	55,384	58,145
Less amounts for agency receipts	<u>2,206,926</u>	<u>-</u>	<u>-</u>	<u>2,206,926</u>	<u>538,571</u>
Total contributions	16,914,340	-	-	16,914,340	23,578,974
Dividends and interest	2,477,122	-	-	2,477,122	1,759,508
Net realized investment gains	3,527,322	-	-	3,527,322	2,389,907
Net unrealized investment gains	13,676,146	-	-	13,676,146	897,823
Change in value of split interest agreements (trusts)	-	253,728	-	253,728	158,927
Fee income	161,512	-	-	161,512	139,409
Other income	<u>62,793</u>	<u>-</u>	<u>-</u>	<u>62,793</u>	<u>-</u>
Total revenues, gains, and support	<u>36,819,235</u>	<u>253,728</u>	<u>-</u>	<u>37,072,963</u>	<u>28,924,548</u>
Net assets released from restrictions	<u>921,950</u>	<u>(921,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Grants and distributions	14,391,173	-	-	14,391,173	20,061,074
Less distributions from agency funds	<u>733,635</u>	<u>-</u>	<u>-</u>	<u>733,635</u>	<u>713,011</u>
Total grants	13,657,538	-	-	13,657,538	19,348,063
Program expenses other than grants	1,579,157	-	-	1,579,157	1,695,574
General administration	658,501	-	-	658,501	268,375
Fundraising	<u>53,557</u>	<u>-</u>	<u>-</u>	<u>53,557</u>	<u>250,718</u>
Total expenses	<u>15,948,753</u>	<u>-</u>	<u>-</u>	<u>15,948,753</u>	<u>21,562,730</u>
Change in net assets	21,792,432	(668,222)	-	21,124,210	7,361,818
Net assets, beginning of year	<u>133,303,346</u>	<u>23,339,794</u>	<u>60,000</u>	<u>156,703,140</u>	<u>149,341,322</u>
Net assets, end of year	<u>\$ 155,095,778</u>	<u>\$ 22,671,572</u>	<u>\$ 60,000</u>	<u>\$ 177,827,350</u>	<u>\$ 156,703,140</u>

See accompanying notes to the financial statements.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Statement of Activities Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and support:				
Contributions and agency receipts	\$ 24,059,400	\$ -	\$ -	\$ 24,059,400
Gifts in-kind	58,145	-	-	58,145
Less: amounts for agency funds	538,571	-	-	538,571
Total contributions	23,578,974	-	-	23,578,974
Dividends and interest	1,759,508	-	-	1,759,508
Net realized investment gains	2,389,907	-	-	2,389,907
Net unrealized investment gains	897,823	-	-	897,823
Change in value of split interest agreements (trusts)	-	158,927	-	158,927
Fee income	139,409	-	-	139,409
Total revenues, gains, and support	28,765,621	158,927	-	28,924,548
Net assets released from restrictions	886,004	(886,004)	-	-
Expenses:				
Grants and distributions	20,061,074	-	-	20,061,074
Less: distributions from agency funds	713,011	-	-	713,011
Total grants	19,348,063	-	-	19,348,063
Program expenses other than grants	1,695,574	-	-	1,695,574
General administration	268,375	-	-	268,375
Fundraising	250,718	-	-	250,718
Total expenses	21,562,730	-	-	21,562,730
Change in net assets	8,088,895	(727,077)	-	7,361,818
Net assets, beginning of year	125,214,451	24,066,871	60,000	149,341,322
Net assets, end of year	<u>\$ 133,303,346</u>	<u>\$ 23,339,794</u>	<u>\$ 60,000</u>	<u>\$ 156,703,140</u>

See accompanying notes to the financial statements.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Statements of Cash Flows Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 21,124,210	\$ 7,361,818
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized gain on investments	(3,527,322)	(2,389,907)
Unrealized gain on investments	(13,676,146)	(897,823)
Change in value of split interest agreements	(253,728)	(158,927)
Depreciation	3,737	3,098
Collection of interests in trusts	924,226	897,606
Changes in assets and liabilities:		
Contributions receivable	(5,116,333)	-
Accounts payable	2,364	(25,518)
Grants payable	(883,555)	3,124,821
Held in trust for others	4,189	(11,233)
Agency funds payable	4,016,823	311,009
Net cash provided by operating activities	2,618,465	8,214,944
Cash flows from investing activities:		
Purchase of property and equipment	(11,307)	(3,522)
Sale of investments	100,478,633	83,702,749
Purchases of investments	(102,479,960)	(91,710,949)
Collections from notes receivables	12,273	-
Net cash used in investing activities	(2,000,361)	(8,011,722)
Net change in cash	618,104	203,222
Cash, beginning of year	430,027	226,805
Cash, end of year	\$ 1,048,131	\$ 430,027

See accompanying notes to the financial statements.



# CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

## Notes to Financial Statements

### 1. Nature of Organization:

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 improve the quality of life in the city of Charlottesville and surrounding counties of Albemarle, Buckingham, Fluvanna, Greene, Louisa, Nelson and Orange. The Foundation makes grants to support partner agencies working to address community challenges and opportunities. The Foundation also works 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 establishes standards for financial statements issued by nonprofit organizations. It required that net assets and related revenue and expenses be classified in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include the revenues and expenses of the primary operations of the Foundation. Donor-restricted contributions, sponsorships and grants whose restrictions are met in the same reporting period are reported as unrestricted support.

**Temporarily Restricted Net Assets** – Net assets that are subject to donor or grant-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** – Net assets that are subject to donor-imposed stipulations that the Foundation maintains them permanently.

**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.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

**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 unrestricted, temporarily restricted, or permanently restricted net assets based upon donor or time restrictions. Donated investments are recorded at their fair value on the date of the contribution.

**Contributions Receivable:** The Foundation had \$5,116,333 in contributions made by donors during 2017 that were not collected by December 31, 2017. All amounts were received in January 2018.

**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 temporarily restricted 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. The Foundation holds the assets for one of the remainder trusts, but the assets of the other trusts are held by external trustees. Assets held by the Foundation in a charitable remainder trust as of December 31, 2017 and 2016 totaled \$96,909 and \$90,444, respectively, and are reported in investments at fair value in the statements of financial position. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the beneficiary based on actuarial assumptions. The present value of the estimated future benefits was calculated using a discount rate ranging from 2.6% to 6.0% in 2017 and ranging from 1.8% to 4.0% in 2016.

**Property and Equipment:** The Foundation capitalized all acquisitions of property and equipment in excess of \$750 during 2017 and 2016. Property and equipment are 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 \$3,737 for 2017 and \$3,098 for 2016.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

**Agency Obligations:** The Foundation accepts assets from unaffiliated nonprofit organizations (“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 Foundation reports contributions received as unrestricted support, except for agency funds received, which are reported as a liability and one fund which was received with the stipulation that the principal be permanently invested, which is reported as permanently restricted. 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, almost all contributions received by the Foundation are reported as unrestricted support, except for assets related to charitable lead and remainder trusts, which are classified as temporarily restricted due to the time restrictions on the assets, and the 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 temporarily restricted support until collected. When a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

**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 \$61,859 for 2017 and \$114,168 for 2016, are included in general administration expenses and are expensed as incurred.

**Functional Allocation of Expenses:** The costs of providing support to local charities and nonprofits have been summarized on a functional basis in the statements of activities as program expenses. Non-grant costs have been allocated among program, general administration, and fundraising on the basis of the activity benefited based on management’s estimates.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

**Grants:** Grants are recorded as expenses in the year they are approved by the Board when the probability of not meeting any grant conditions is remote.

**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 an organization other than a private foundation under Section 509(a)(1).

**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. 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.

**New Accounting Guidance:** In August 2016, FASB issued Accounting Standard Update ("ASU") No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Foundation has elected not to early adopt this ASU.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

**Subsequent Events:** Management has evaluated subsequent events through September 24, 2018, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

#### 3. 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. 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.

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

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

**Government bonds, corporate bonds, and bond index funds:** 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:** Valued using recent assessments or listing prices for real estate currently being marketed.

**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 2.6% to 6.0% for 2017 and 1.8% to 4.0% for 2016.

**Grants payable:** Valued at the sum of future payables adjusted to the present value using a discount rate of 2.6% during 2017 and 1.8% during 2016.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

#### 3. 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, 2017:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investment money market accounts	\$ 12,668,725	\$ -	\$ -	\$ 12,668,725
Marketable equity securities and EFTs:				
Consumer discretionary	6,820,861	-	-	6,820,861
Consumer staples	2,707,174	-	-	2,707,174
Energy	3,406,442	-	-	3,406,442
Financials	6,067,986	-	-	6,067,986
Healthcare	5,749,592	-	-	5,749,592
Industrials	5,868,191	-	-	5,868,191
Information technology	10,913,377	-	-	10,913,377
Materials	1,672,808	-	-	1,672,808
Telecommunication services	1,422,062	-	-	1,422,062
Utilities	842,151	-	-	842,151
International	17,957,673	-	-	17,957,673
Other	322,215	-	-	322,215
Marketable equity mutual funds:				
Domestic mutual funds	14,595,506	-	-	14,595,506
International mutual funds	9,446,654	-	-	9,446,654
Marketable debt securities:				
Domestic mutual funds	65,667	-	-	65,667
International mutual funds	13,237	-	-	13,237
Corporate bonds	42,168,883	-	-	42,168,883
Government obligations	-	5,743,124	-	5,743,124
Real asset funds	-	1,764,267	-	1,764,267
Real estate holdings	-	-	7,000	7,000
Notes receivable	-	-	20,163	20,163
Beneficial interests in trusts	-	-	22,589,229	22,589,229
Total assets in the fair value hierarchy	<u>\$ 142,709,204</u>	<u>\$ 7,507,391</u>	<u>\$ 22,616,392</u>	<u>172,832,987</u>
Investments measured at NAV (a)				<u>22,674,643</u>
Total assets at fair value				<u>\$ 195,507,630</u>
<b>Liabilities:</b>				
Grants payable	\$ -	\$ 5,047,681	\$ -	\$ 5,047,681
Annuity payable	-	4,381	-	4,381
Agency funds payable	-	18,764,522	-	18,764,522
Liability under trust agreement	-	14,566	-	14,566
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 23,831,150</u>	<u>\$ -</u>	<u>\$ 23,831,150</u>

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

#### 3. 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, 2016:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investment money market accounts	\$ 17,164,307	\$ -	\$ -	\$ 17,164,307
Marketable equity securities and EFTs:				
Consumer discretionary	8,916,114	-	-	8,916,114
Consumer staples	3,864,558	-	-	3,864,558
Energy	3,844,145	-	-	3,844,145
Financials	6,796,947	-	-	6,796,947
Healthcare	7,235,276	-	-	7,235,276
Industrials	6,228,622	-	-	6,228,622
Information technology	11,187,535	-	-	11,187,535
Materials	1,823,512	-	-	1,823,512
Telecommunication services	2,125,307	-	-	2,125,307
Utilities	896,562	-	-	896,562
International	13,422,124	-	-	13,422,124
Other	212,328	-	-	212,328
Marketable equity mutual funds:				
Domestic mutual funds	16,045,959	-	-	16,045,959
International mutual funds	6,633,042	-	-	6,633,042
Marketable debt securities:				
Domestic mutual funds	62,489	-	-	62,489
International mutual funds	11,832	-	-	11,832
Corporate bonds	18,821,273	-	-	18,821,273
Government obligations	-	5,246,152	-	5,246,152
Mortgage backed securities	-	374,176	-	374,176
Other	-	2,956,807	-	2,956,807
Real estate holdings	-	-	7,000	7,000
Notes receivable	-	-	32,436	32,436
Beneficial interests in trusts	-	-	23,259,727	23,259,727
Total assets in the fair value hierarchy	<u>\$ 125,291,932</u>	<u>\$ 8,577,135</u>	<u>\$ 23,299,163</u>	157,168,230
Investments measured at NAV (a)				<u>19,817,376</u>
Total assets at fair value				<u>\$ 176,985,606</u>
<b>Liabilities:</b>				
Grants payable	\$ -	\$ 5,931,236	\$ -	\$ 5,931,236
Annuity payable	-	4,381	-	4,381
Agency funds payable	-	14,747,699	-	14,747,699
Liability under trust agreement	-	10,377	-	10,377
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 20,693,693</u>	<u>\$ -</u>	<u>\$ 20,693,693</u>



## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

(a) In accordance of FASB guidance ASU 2015-07, certain 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 the limited partnership of Bluestem, alternative investments, and a Real Estate Investment Trust.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2017:

	Beneficial Interest in Trusts	Notes Receivable	Real Estate Holdings
	\$ 23,259,727	\$ 32,436	\$ 7,000
Balance, beginning of year			
Change in value	253,728	-	-
Collections	(924,226)	(12,273)	-
Balance, end of year	\$ 22,589,229	\$ 20,163	\$ 7,000

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2016:

	Beneficial Interest in Trusts	Notes Receivable	Real Estate Holdings
	\$ 23,998,406	\$ 32,436	\$ 7,000
Balance, beginning of year			
Change in value	158,927	-	-
Collections	(897,606)	-	-
Balance, end of year	\$ 23,259,727	\$ 32,436	\$ 7,000

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

#### 4. 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, 2017 are generally due as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 2,464,908
2019	939,542
2020	267,000
2021	219,000
2022	68,000
Thereafter	<u>1,703,750</u>
Total undiscounted commitments	5,662,200
Less: present value discounting	<u>614,519</u>
Total	<u>\$ 5,047,681</u>

The Foundation used a rate of 2.6% at December 31, 2017 to discount to present value its grants payable.

#### 5. Restrictions on Net Assets:

Temporarily restricted net assets result from the implied time restriction related to the future interests in trusts totaling \$22,671,572 as of December 31, 2017 and \$23,339,794 as of December 31, 2016. The amounts released from restrictions were \$921,950 for 2017 and \$886,004 for 2016.

Permanently restricted net assets 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.

#### 6. Retirement Plan:

The Foundation offers an optional salary deferral plan for employees. There was no Foundation contribution to the plan during 2017 or 2016.

#### 7. Fundraising Expenses:

The Foundation pays for certain fundraising activity expenditures of various community foundation funds for which the Foundation is reimbursed from the funds. The Foundation was reimbursed for expenses such as meals, conferences, meetings, and printing. The fundraising expense reimbursement amounted to \$168,843 for 2017 and \$204,893 for 2016.

## CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

#### 8. Leases:

The Foundation leases office space and equipment under operating leases that expire through December 2020. Future minimum payments under operating lease obligations consisted of the following at December 31, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ 15,282
2019	19,457
2020	<u>24,000</u>
Total	<u>\$ 58,739</u>

Total operating lease expense was \$67,666 for 2017, and \$66,754 for 2016. Lease expense for 2017 and 2016 includes gifts in-kind of \$55,384 and \$58,145 related to office space lease, respectively.