

**EASTERN WEST VIRGINIA
COMMUNITY FOUNDATION**

Martinsburg, West Virginia

FINANCIAL REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eastern West Virginia Community Foundation
Martinsburg, West Virginia

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Gount, Hyde & Barbour, P.C.

Winchester, Virginia
May 11, 2022

EASTERN WEST VIRGINIA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 450,965	\$ 354,001
Note receivable	200,000	200,000
Investments, at fair value	38,700,863	33,897,047
Beneficial interest in split-interest agreements	98,076	96,356
Beneficial interest in residual trust	1,032,197	965,695
Life insurance policy, cash surrender value	36,615	34,667
Property and equipment, net	<u>2,337</u>	<u>3,646</u>
Total assets	<u>\$ 40,521,053</u>	<u>\$ 35,551,412</u>
Liabilities		
Accounts payable and accrued expenses	\$ 10	\$ 10,809
Grants payable	131,486	314,714
Agency endowment funds	<u>2,660,602</u>	<u>2,405,571</u>
Total liabilities	<u>\$ 2,792,098</u>	<u>\$ 2,731,094</u>
Net Assets		
Net assets without donor restrictions:		
Community endowment	\$ 1,214,971	\$ 1,095,604
Donor advised endowment	11,613,949	10,543,526
Designated endowment	7,060,290	5,918,420
Field of interest endowment	8,844,492	8,014,404
Scholarship endowment	5,956,463	4,665,848
Unrestricted endowment	27,100	19,494
Unrestricted funds not designated	<u>1,881,417</u>	<u>1,500,972</u>
Total net assets without donor restrictions	<u>\$ 36,598,682</u>	<u>\$ 31,758,268</u>
Net assets with donor restrictions	<u>1,130,273</u>	<u>1,062,050</u>
Total net assets	<u>\$ 37,728,955</u>	<u>\$ 32,820,318</u>
Total liabilities and net assets	<u>\$ 40,521,053</u>	<u>\$ 35,551,412</u>

See Notes to Financial Statements.

EASTERN WEST VIRGINIA COMMUNITY FOUNDATION

Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains:			
Contributions	\$ 2,014,786	\$ --	\$ 2,014,786
Special events	17,750	--	17,750
Investment return, net	4,119,675	--	4,119,675
Miscellaneous income	146	--	146
Total revenues and gains	\$ 6,152,357	\$ --	\$ 6,152,357
Expenses:			
Grants and distributions	\$ 992,762	\$ --	\$ 992,762
Program expenses	41,195	--	41,195
Communications and outreach	2,578	--	2,578
Salaries, taxes and benefits	224,004	--	224,004
Other support services	9,300	--	9,300
Accounting and legal	28,150	--	28,150
Insurance	2,778	--	2,778
Occupancy	9,866	--	9,866
Depreciation	1,310	--	1,310
Total expenses	\$ 1,311,943	\$ --	\$ 1,311,943
Excess of revenues over expenses before other changes in net assets	\$ 4,840,414	\$ --	\$ 4,840,414
Other changes in net assets, split-interest actuarial adjustment	--	68,223	68,223
Change in net assets	\$ 4,840,414	\$ 68,223	\$ 4,908,637
Net assets, beginning of year	31,758,268	1,062,050	32,820,318
Net assets, end of year	\$ 36,598,682	\$ 1,130,273	\$ 37,728,955

See Notes to Financial Statements.

EASTERN WEST VIRGINIA COMMUNITY FOUNDATION

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains:			
Contributions	\$ 2,092,971	\$ --	\$ 2,092,971
Special events	15,550	--	15,550
Investment return, net	4,023,075	--	4,023,075
Miscellaneous income	1,682	--	1,682
Total revenues and gains	\$ 6,133,278	\$ --	\$ 6,133,278
Expenses:			
Grants and distributions	\$ 1,045,892	\$ --	\$ 1,045,892
Program expenses	24,904	--	24,904
Communications and outreach	2,678	--	2,678
Salaries, taxes and benefits	238,430	--	238,430
Other support services	15,675	--	15,675
Accounting and legal	26,575	--	26,575
Travel	100	--	100
Insurance	7,701	--	7,701
Occupancy	8,335	--	8,335
Depreciation	1,310	--	1,310
Total expenses	\$ 1,371,600	\$ --	\$ 1,371,600
Excess of revenues over expenses before other changes in net assets	\$ 4,761,678	\$ --	\$ 4,761,678
Other changes in net assets, split-interest actuarial adjustment	--	87,909	87,909
Change in net assets	\$ 4,761,678	\$ 87,909	\$ 4,849,587
Net assets, beginning of year, as previously stated	26,859,839	974,141	27,833,980
Prior period adjustment (Note 17)	136,751	--	136,751
Net assets, beginning of year, as restated	26,996,590	974,141	27,970,731
Net assets, end of year	\$ 31,758,268	\$ 1,062,050	\$ 32,820,318

See Notes to Financial Statements.

EASTERN WEST VIRGINIA COMMUNITY FOUNDATION

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

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 4,908,637	\$ 4,849,587
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,310	1,310
Actuarial (gain) on annuity obligations	(68,223)	(87,909)
Unrealized (gain) loss from life insurance policy	(1,948)	861
Net realized and unrealized (gain) on investments	(3,248,970)	(3,484,208)
Donated value of securities	(357,506)	(236,484)
Changes in assets and liabilities:		
Decrease in prepaid expenses	-	2,078
Decrease in contributions receivable	-	1,000,000
(Decrease) increase in accounts payable and accrued expenses	(10,799)	1,150
(Decrease) increase in grants payable	(183,228)	157,087
Increase in agency endowment funds	255,031	250,445
Net cash provided by operating activities	<u>\$ 1,294,304</u>	<u>\$ 2,453,917</u>
 Cash Flows from Investing Activities		
Proceeds from sale of investments	\$ 13,263,317	\$ 10,782,079
Purchase of investment securities	<u>(14,460,657)</u>	<u>(13,008,910)</u>
Net cash (used in) investing activities	<u>\$ (1,197,340)</u>	<u>\$ (2,226,831)</u>
 Net increase in cash and cash equivalents	 \$ 96,964	 \$ 227,086
 Cash and Cash Equivalents		
Beginning	<u>354,001</u>	<u>126,915</u>
Ending	<u>\$ 450,965</u>	<u>\$ 354,001</u>
 Supplemental Disclosure of Cash Flow Information,		
in-kind contributions	<u>\$ 14,250</u>	<u>\$ 13,000</u>

See Notes to Financial Statements.

EASTERN WEST VIRGINIA COMMUNITY FOUNDATION

Notes to Financial Statements

Note 1. Nature of Business

Eastern West Virginia Community Foundation (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Foundation is responsible for charitable funds and the income generated by the funds of many donors. The Foundation is committed to improving the quality of life and to serving the general charitable and educational needs of the inhabitants of Eastern West Virginia and adjoining states through charitable grants at the discretion of the Board.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Note 2. Significant Accounting Policies

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation's cash is maintained at two commercial banks located in West Virginia, which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses on such accounts.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment return is reflected in the statement of activities, net of any fees.

Property and Equipment

All purchases of property and equipment have been recorded at cost. Property and equipment that is donated to the Foundation is stated at its fair market value at the time of donation. Depreciation is determined by the straight-line method. The estimated useful life for furniture and fixtures is seven years. Estimated useful life for software is three years. Depreciation expense was \$1,310 and \$1,310 for the years ended December 31, 2021 and 2020, respectively.

Notes to Financial Statements

Grants Payable

Grants are recorded as expenses when they are approved by the Board.

Agency Endowment Funds

Agency endowment funds are established for transactions in which a community foundation accepts a contribution from a charitable agency donor and agrees to transfer those assets, the return on investment of those assets or both back to the charitable agency donor.

The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. Corresponding liability accounts have been established for these funds.

Revenue Recognition

Revenue Recognition Methodology for Exchange Transactions

For exchange transactions, the Foundation recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

Revenue Recognition Methodology for Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged.

The Foundation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as

Notes to Financial Statements

net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give or refundable advances as of December 31, 2021 and 2020. Investments received by gift are recorded at market value at the date of the donation.

Donor-restricted contributions whose restrictions are met in the same year as received are classified as contributions without donor restriction in the accompanying financial statements.

Revenue Streams

The Foundation receives various sources of revenue. Contributions are recognized when received. The Foundation recognizes revenue for special events when the event is held.

Contribution Receivable

The Foundation had one outstanding contribution receivable of \$1,000,000 at December 31, 2019. The receivable was paid in full during the year ended December 31, 2020. The Foundation had no outstanding contribution receivables at December 31, 2021 and December 31, 2020.

Notes to Financial Statements

Allocation Methodology for the Schedules of Functional Expenses

The costs of providing program services and other activities are summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program services, management and general, and fundraising. Such allocations have been made by management on an equitable basis. The expenses that were allocated included the following:

<u>Expense</u>	<u>Methodology</u>
Grants and distributions	Direct cost
Program expenses	Direct cost
Communications and outreach	Direct cost
Salaries, taxes and benefits	Employee time and effort
Other support services	Employee time and effort
Accounting and legal	Direct cost
Travel	Direct cost and employee time and effort
Insurance	Direct cost
Occupancy	Direct cost
Depreciation	Employee time and effort

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Notes to Financial Statements

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Beneficial Interest in Split-Interest Agreements

The fair value of split interest agreements is based on the present value of the future distributions to be received by the Foundation as a beneficiary.

Beneficial Interest in Residual Trust

The fair value of residual trusts is based on a specified percentage of the trust's fair market value as determined annually.

Life Insurance

The value of the life insurance is based on the cash surrender value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Upcoming Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the

Notes to Financial Statements

remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for the year ending December 31, 2022. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. ASU No. 2020-07 is effective for the Foundation for its year ended December 31, 2022. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 3. Net Assets

The Foundation reports information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated among two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consists of net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Directors. Net assets with donor restrictions consist of net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Factors considered in the determination of net asset classification include:

- The Foundation's articles of incorporation, by-laws and the terms of various predecessor trusts, allow the respective Board the power to use the principal amount of gifts.
- The Foundation has been granted unilateral variance power to modify restrictions or conditions on the distribution of funds if, in its sole judgment, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community.

Note 4. Net Assets with Donor Restrictions

The Foundation's net assets with donor restrictions as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Beneficial interest in split-interest agreements	\$ 98,076	\$ 96,356
Beneficial interest in residual trust	<u>1,032,197</u>	<u>965,695</u>
	<u>\$ 1,130,273</u>	<u>\$ 1,062,051</u>

Notes to Financial Statements

Note 5. Liquidity and Availability of Resources

The Foundation had the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. In the case of unexpected cash needs, there are funds available from a board-designated administrative endowment that is included in the designated endowment category below; \$33,118 is available from that fund for use in the next 12 months. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	\$ 450,965	\$ 354,001
Investments	38,700,863	33,897,047
Total financial assets	\$ 39,151,828	\$ 34,251,048
Less amounts not available to be used within one year:		
Agency endowment funds	\$ 2,660,602	\$ 2,405,571
Community endowment	1,214,971	1,095,604
Donor advised endowment	11,613,949	10,543,526
Designated endowment	7,060,290	5,918,420
Field of interest endowment	8,844,492	8,014,404
Scholarship endowment	5,956,463	4,665,848
Unrestricted endowment	27,100	19,494
	\$ 37,377,867	\$ 32,662,867
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,773,961	\$ 1,588,181

Note 6. Note Receivable

On September 30, 2018, the Foundation issued a non-revolving loan of \$200,000 to a nonprofit corporation to be distributed and used to support entrepreneurial efforts in any or all of the five West Virginia counties served by the Foundation: Jefferson, Berkeley, Morgan, Hampshire, and Hardy. The note matures on September 30, 2023 with an interest rate of 3.5%. Interest only payments are due annually on the anniversary date of the note. Principal is payable in full at the date of maturity.

Notes to Financial Statements

Note 7. Investments and Investment Return

Investments, including endowment as well as other funds, as of December 31, 2021 and 2020 were as follows:

Summary by Type of Investment	2021		
	Cost	Fair Market Value	Unrealized (Depreciation) Appreciation
Cash	\$ 791,174	\$ 791,174	\$ - -
Fixed income securities	10,064,882	10,053,611	(11,271)
Equities	9,460,281	13,762,589	4,302,308
Mutual funds	10,824,779	14,093,489	3,268,710
	\$ 31,141,116	\$ 38,700,863	\$ 7,559,747
Summary by Type of Investment	2020		
	Cost	Fair Market Value	Unrealized Appreciation
Cash	\$ 594,824	\$ 594,824	\$ - -
Fixed income securities	8,982,178	9,290,519	308,341
Equities	8,047,541	12,085,768	4,038,227
Mutual funds	8,946,403	11,925,936	2,979,533
	\$ 26,570,946	\$ 33,897,047	\$ 7,326,101

Investment return, net consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividend income	\$ 982,205	\$ 627,863
Realized gains	3,123,540	617,772
Unrealized gain	125,430	2,866,436
Investment fees	(111,500)	(88,996)
	\$ 4,119,675	\$ 4,023,075

Notes to Financial Statements

Note 8. Property and Equipment

At December 31, 2021 and 2020, the property and equipment consisted of the following:

	2021	2020
Software	\$ 40,945	\$ 40,945
Furniture and fixtures	12,322	12,322
Less accumulated depreciation	(50,930)	(49,621)
	\$ 2,337	\$ 3,646

Note 9. Funds Held as Agency Endowments

The following table summarizes activity in agency endowment funds for the years ended December 31, 2021 and 2020.

	2021	2020
Agency endowment fund balance at the beginning of the year	\$ 2,405,571	\$ 2,291,877
Amounts raised	18,924	30,398
Interest and dividends	72,973	48,342
Unrealized and realized gains	243,521	242,928
Loss on sale of asset	(115)	--
Expenses	(80,272)	(71,223)
Prior period adjustment (Note 17)	--	(136,751)
Agency endowment fund balance at the end of the year	\$ 2,660,602	\$ 2,405,571

Note 10. Administrative Income

The Foundation's policy is to assess each component fund a total annual fee up to two percent. The fee is calculated and assessed monthly based on current fair market value. Such amounts are transferred to an unrestricted discretionary fund to offset administrative costs.

Notes to Financial Statements

Note 11. Contributed Services

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received the following contributed services and expenses during the years ended December 31, 2021 and 2020, which are included in the statements of activities:

	<u>2021</u>	<u>2020</u>
Legal services	\$ 14,250	\$ 13,000

Note 12. Legacies Not Yet Recognizable

The Foundation is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts will be recognized in the financial statements when clear title is established and the proceeds are measurable.

Note 13. Split-Interest Agreements and Residual Trusts

The Foundation is the named beneficiary of various split-interest agreements and trusts. The Foundation's policy is to record the present values of their remainder interest when they learn of the agreement, the terms of the agreement are irrevocable, and the value can be readily determined. Amortization of the discount associated with the contribution and other changes in actuarial assumptions or life expectancies are recognized as a split-interest actuarial adjustment in the statement of activities. For the years ended December 31, 2021 and 2020, the split-interest actuarial adjustment amounted to \$68,223 and \$87,909, respectively.

A split-interest agreement (or charitable remainder trust) provides for the payment of distributions to the grantor or other non-charitable beneficiary for a term of years or designated beneficiary's lifetime. At the end of the trust term, the remaining assets are paid to the Foundation. These agreements are administered by third-party trustees. The portion of the trust attributable to the present value of the remainder interest is recorded in the statement of activities as net assets with donor restrictions, depending on the trust terms. There were no new agreements established in 2021 or 2020. The remainder value of these agreements as of December 31, 2021 and 2020 was \$98,076 and \$96,356, respectively, and is recorded in the statements of financial position as "Beneficial interest in split-interest agreements."

The Foundation is also a 50% beneficiary of an irrevocable residual trust whereby the income beneficiary is not entitled to any distributions of principal. The Foundation's beneficial interest in this residual trust is \$1,032,197 and \$965,695 as of December 31, 2021 and 2020, respectively, and is revalued annually.

Notes to Financial Statements

Note 14. Life Insurance Policy

In November 2011, the Foundation received a contribution of a life insurance policy for which it is the beneficiary. The life insurance policy is reported at its cash surrender value. The value as of December 31, 2021 and 2020 was \$36,615 and \$34,667, respectively.

Note 15. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Cash	\$ 791,174	\$ --	\$ --	\$ 791,174
Fixed income securities	10,053,611	--	--	10,053,611
Equities	13,762,589	--	--	13,762,589
Mutual funds	14,093,489	--	--	14,093,489
Beneficial interest in split-interest agreements	--	--	98,076	98,076
Beneficial interest in residual trust	--	1,032,197	--	1,032,197
Life insurance policy, cash surrender value	--	36,615	--	36,615
	\$ 38,700,863	\$ 1,068,812	\$ 98,076	\$39,867,751

	2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 594,824	\$ --	\$ --	\$ 594,824
Fixed income securities	9,290,519	--	--	9,290,519
Equities	12,085,768	--	--	12,085,768
Mutual funds	11,925,936	--	--	11,925,936
Beneficial interest in split-interest agreements	--	--	96,356	96,356
Beneficial interest in residual trust	--	965,695	--	965,695
Life insurance policy, cash surrender value	--	34,667	--	34,667
	\$ 33,897,047	\$ 1,000,362	\$ 96,356	\$34,993,765

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 investment assets:

	2021	2020
Balance - beginning of year	\$ 96,356	\$ 88,272
Other changes in beneficial interests	1,720	8,084
	\$ 98,076	\$ 96,356

Notes to Financial Statements

Note 16. Schedules of Functional Expenses

Expenses by functional and natural classification for the years ended December 31, 2021 and 2020 were as follows:

	2021			
	Program Services	Management and General	Fundraising	Total
Grants and distributions	\$ 992,762	\$ --	\$ --	\$ 992,762
Salaries, taxes and benefits	160,879	59,984	3,141	224,004
Program expenses	41,195	--	--	41,195
Communications and outreach	2,578	--	--	2,578
Other support services	6,679	2,490	131	9,300
Accounting and legal	14,250	13,900	--	28,150
Insurance	--	2,778	--	2,778
Occupancy	9,866	--	--	9,866
Depreciation	941	351	18	1,310
	\$ 1,229,150	\$ 79,503	\$ 3,290	\$ 1,311,943

	2020			
	Program Services	Management and General	Fundraising	Total
Grants and distributions	\$ 1,045,892	\$ --	\$ --	\$ 1,045,892
Program expenses	24,904	--	--	24,904
Communications and outreach	2,678	--	--	2,678
Salaries, taxes and benefits	186,393	49,850	2,187	238,430
Other support services	12,254	3,277	144	15,675
Accounting and legal	13,000	13,575	--	26,575
Travel	78	21	1	100
Insurance	--	7,701	--	7,701
Occupancy	8,335	--	--	8,335
Depreciation	1,024	274	12	1,310
	\$ 1,294,558	\$ 74,698	\$ 2,344	\$ 1,371,600

Note 17. Prior Period Adjustment

The net assets at December 31, 2019 have been restated due to a correction of an error overstating agency endowment funds. The effect on the change in net assets without donor restrictions is an increase of \$136,751 for the year ended December 31, 2019. The effect on the statement of financial position for the year ended December 31, 2019 is a decrease to agency endowment funds liability of \$136,751.

Note 18. Subsequent Events

The Foundation has evaluated all subsequent events through May 11, 2022, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.