

**GREATER WILLIAMSBURG
COMMUNITY TRUST dba WILLIAMSBURG
COMMUNITY FOUNDATION**

FINANCIAL REPORT

January 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Greater Williamsburg Community Trust
dba Williamsburg Community Foundation
Williamsburg, Virginia

We have audited the accompanying financial statements of Greater Williamsburg Community Trust dba Williamsburg Community Foundation (a nonprofit organization), which comprise the statements of financial position as of January 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 control relevant to the organization'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 organization'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 Greater Williamsburg Community Trust dba Williamsburg Community Foundation as of January 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Greater Williamsburg Community Trust dba Williamsburg Community Foundation adopted FASB ASU2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. Our opinion is not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

The financial statements of Greater Williamsburg Community Trust dba Williamsburg Community Foundation as of January 31, 2018, were audited by other auditors whose report dated September 27, 2018, expressed an unmodified opinion on those financial statements. As discussed in Note 2 to the financial statements, the Foundation has adjusted its 2018 financial statements to retrospectively apply the adoption of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to retrospectively apply the change in the accounting as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Greater Williamsburg Community Trust dba Williamsburg Community Foundation 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 26, 2019

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION
January 31, 2019 and 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,373,980	\$ 718,677
Pledges receivable	604,669	25,000
Bequest receivable	7,444,256	3,525,627
Prepaid expenses	-	962
Investments	9,081,261	6,330,007
Cash surrender value of life insurance	241,631	178,427
Property and equipment, net	273,663	278,538
	\$ 19,019,460	\$ 11,057,238
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 2,406	\$ 3,846
Agency funds held for others	12,272	13,216
	14,678	17,062
NET ASSETS		
Without donor restrictions	7,457,601	5,552,673
With donor restrictions	11,547,181	5,487,503
	19,004,782	11,040,176
	\$ 19,019,460	\$ 11,057,238

The Notes to Financial Statements are an integral part of these statements.

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**STATEMENTS OF ACTIVITIES
Years Ended January 31, 2019 and 2018**

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, SUPPORT AND OTHER CHANGES			
Contributions	\$ 3,007,453	\$ 6,304,575	\$ 9,312,028
Special events, net	15,544	-	15,544
Miscellaneous	12,251	-	12,251
Investment return, net	(282,202)	(133,796)	(415,998)
Net assets released from restrictions:			
Appropriation from donor-restricted endowment	111,101	(111,101)	-
Total revenue, support and other changes	<u>2,864,147</u>	<u>6,059,678</u>	<u>8,923,825</u>
OPERATING EXPENSES			
Program services	746,189	-	746,189
Fundraising	32,186	-	32,186
Management and general	180,844	-	180,844
Total expenses	<u>959,219</u>	<u>-</u>	<u>959,219</u>
Change in net assets	1,904,928	6,059,678	7,964,606
Net assets, beginning of year	<u>5,552,673</u>	<u>5,487,503</u>	<u>11,040,176</u>
Net assets, end of year	<u>\$ 7,457,601</u>	<u>\$ 11,547,181</u>	<u>\$ 19,004,782</u>
<u>2018</u>			
REVENUE, SUPPORT AND OTHER CHANGES			
Contributions	\$ 1,206,789	\$ 3,541,407	\$ 4,748,196
Special events, net	18,821	-	18,821
Miscellaneous	12,000	-	12,000
Investment return, net	809,825	9,703	819,528
Net assets released from restrictions:			
Appropriation from donor-restricted endowment	16,685	(16,685)	-
Total revenue, support and other changes	<u>2,064,120</u>	<u>3,534,425</u>	<u>5,598,545</u>
OPERATING EXPENSES			
Program services	570,877	-	570,877
Fundraising	44,562	-	44,562
Management and general	170,291	-	170,291
Total expenses	<u>785,730</u>	<u>-</u>	<u>785,730</u>
Change in net assets	1,278,390	3,534,425	4,812,815
Net assets, beginning of year	<u>4,274,283</u>	<u>1,953,078</u>	<u>6,227,361</u>
Net assets, end of year	<u>\$ 5,552,673</u>	<u>\$ 5,487,503</u>	<u>\$ 11,040,176</u>

The Notes to Financial Statements are an integral part of these statements.

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended January 31, 2019 and 2018**

<u>2019</u>	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants and scholarships	698,899	\$ -	\$ -	\$ 698,899
Salaries and payroll taxes	40,540	26,345	79,475	146,360
Accounting	-	-	28,216	28,216
Printing and publications	-	2,783	15,373	18,156
Occupancy	2,490	2,135	7,056	11,681
Depreciation	-	-	9,025	9,025
IT services	-	-	8,735	8,735
Conference, convention and meeting	-	-	8,720	8,720
Supplies	-	-	6,746	6,746
Insurance	-	-	5,344	5,344
Postage and shipping	-	-	4,442	4,442
Utilities	1,177	765	2,307	4,249
Miscellaneous	-	-	4,243	4,243
Program related expenses	3,083	-	-	3,083
Dues and subscriptions	-	-	1,162	1,162
Advertising	-	158	-	158
	<u>\$ 746,189</u>	<u>\$ 32,186</u>	<u>\$ 180,844</u>	<u>\$ 959,219</u>
 <u>2018</u>				
Grants and scholarships	\$ 530,563	\$ -	\$ -	\$ 530,563
Salaries and payroll taxes	35,136	35,136	70,273	140,545
Accounting	-	-	25,531	25,531
Printing and publications	-	2,756	11,430	14,186
Occupancy	2,210	2,480	6,599	11,289
Depreciation	-	-	10,898	10,898
IT services	-	-	11,467	11,467
Conference, convention and meeting	-	-	8,527	8,527
Supplies	-	-	8,727	8,727
Insurance	-	-	4,073	4,073
Postage and shipping	-	-	5,625	5,625
Utilities	2,190	940	1,876	5,006
Miscellaneous	-	-	4,455	4,455
Program related expenses	778	-	-	778
Dues and subscriptions	-	-	810	810
Advertising	-	3,250	-	3,250
	<u>\$ 570,877</u>	<u>\$ 44,562</u>	<u>\$ 170,291</u>	<u>\$ 785,730</u>

The Notes to Financial Statements are an integral part of these statements.

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**STATEMENTS OF CASH FLOWS
Years Ended January 31, 2019 and 2018**

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ 7,964,606	\$ 4,812,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,025	10,898
Net realized and unrealized (gains) losses on investments	688,695	(640,734)
Increase in cash surrender value of life insurance	(63,204)	(63,148)
Change in current assets and liabilities:		
Pledges receivable	(579,669)	15,400
Bequest receivable	(3,918,629)	(3,525,627)
Prepaid expenses	962	(452)
Accrued expenses	(1,440)	1,365
Grants payable	-	(1,000)
Agency funds held for others	(944)	2,552
	<u>4,099,402</u>	<u>612,069</u>
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,150)	-
Sales and maturities of investments	110,434	1,661,023
Purchases of investments	(3,550,383)	(2,814,206)
	<u>(3,444,099)</u>	<u>(1,153,183)</u>
Net cash used by investing activities		
Net increase (decrease) in cash and cash equivalents	655,303	(541,114)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>718,677</u>	<u>1,259,791</u>
End of year	<u>\$ 1,373,980</u>	<u>\$ 718,677</u>

The Notes to Financial Statements are an integral part of these statements.

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

1. Organization and Nature of Activities

Greater Williamsburg Community Trust dba Williamsburg Community Foundation (Foundation) is a not-for-profit organization founded in 1999 in Williamsburg, Virginia. The Foundation is a community foundation which provides grants to nonprofit organizations, scholarships to students and promotes philanthropy in the greater Williamsburg community. Revenue is derived primarily through donor contributions and return on investments.

Variance Power

Under IRS guidelines, a community foundation has Variance Power. Variance power is described as the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in its sole judgment such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or the area served. As a result of the variance power, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

2. Summary of Significant Accounting Policies

Basis of presentation

Under applicable accounting standards, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor-imposed restrictions. They result from unrestricted contributions, grants, special events, fees, and interest, less expenses incurred in program, fundraising, and administrative functions. Net assets without donor restrictions are classified into the following funds:

Non-endowed funds represent resources available for support of all of the Foundation's activities.

Board designated endowment funds are subject to self-imposed limits by action of the governing board. These assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other use.

Net assets with donor restrictions are net assets that are subject by donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is otherwise met, 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.

Cash equivalents

The Foundation considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

(Continued)

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

2. Summary of Significant Accounting Policies (Continued)

Credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash on deposit with financial institutions, pledges receivable, and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to the legal limit. At January 31, 2019 and 2018, there were \$806,842 and \$614 amounts on deposit in excess of the FDIC limit, respectively. The Foundation's investments do not represent significant concentrations of market risk in as much as the Foundation's investment portfolio is adequately diversified.

The Foundation's potential credit risk in regard to pledges receivable is limited due to the nature of the Foundation's pledges receivable as well as the Foundation's collection history.

Pledges receivable

Pledges are recognized when the donor makes an unconditional promise to give. All donations are considered to be available for unrestricted use unless specifically restricted by the donor. At January 31, 2019 and 2018, management has determined that an allowance for doubtful pledges is not necessary. Uncollectible pledges receivable, if any, are written off in the period in which they are identified.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. When restrictions are met in the same fiscal year restricted support is received, the gift is classified as unrestricted support.

Property and equipment

Acquisitions of property and equipment are recorded at cost and at fair value for contributed property. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building	39 years
Furniture	3 - 5 years
Software	3 years

The Foundation's policy is to capitalize all items with a useful life greater than one year.

Support revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same period are reported as unrestricted support.

(Continued)

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

2. Summary of Significant Accounting Policies (Continued)

Advertising costs

Advertising costs are expensed as incurred.

Income taxes

The Foundation is exempt from federal and state income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia, accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Donated services

The Foundation receives donated services from unpaid volunteers who assist in special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under applicable accounting standards have not been satisfied.

Joint costs

The Foundation allocates joint costs based on an estimate of time spent by management and staff on fundraising activities. The statements of functional expenses reflect management's estimate of the allocation of salaries and payroll taxes, occupancy, and other applicable expenses to program services, fundraising and management and general expense.

Methods used for allocation of expenses among programs and supporting services

The Foundation allocates expenses on a functional basis among its various programs and supporting services. The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. These expenses include salaries and payroll taxes, occupancy, printing and publication, and utilities. Salaries and benefits are allocated on the basis of employees' time and effort. Occupancy, printing and publication, and utilities are allocated based on actual charges incurred by administration.

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 and disclosure of contingent 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.

Adoption of accounting pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Topic 958*. The amendments in this ASU affect not-for-profit entities and the users of their general purpose financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources. The Foundation adopted this ASU retrospectively during 2019. Total net assets was not impacted as a result.

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**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 26, 2019, the date the financial statements were available to be issued.

3. Liquidity and Availability

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

Cash and cash equivalents	\$ 577,860
Investments, non-endowed	464,453
Pledges and bequest receivable	<u>1,804,669</u>
	<u>\$ 2,846,982</u>

The Foundation manages liquidity to ensure they have liquid resources to meet obligations as they become due. Additionally, the Foundation has a board-designated endowment of approximately \$5.2 million. Although the Foundation does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and spending policy appropriation, amounts from its board-designated endowment could be made available if necessary.

4. Investments and Fair Value Measurements

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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under applicable accounting standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(Continued)

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

4. Investments and Fair Value Measurements (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at January 31, 2019 and 2018.

Pledges Receivable: Reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future pledges to be received using a discount rate.

Fixed Income Securities: Valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated fair value at year end.

Mutual Funds and Exchange Traded Funds: Valued at the net asset value (NAV) of shares held by the Foundation at year-end.

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.

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

	<u>Assets at Fair Value as of January 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements:</u>				
Pledges receivable	\$	\$	\$ 604,669	\$ 604,669
Investments:				
Exchange traded funds	\$ 1,606,000	\$ -	\$ -	\$ 1,606,000
Fixed income	-	150,012	-	150,012
Mutual funds	<u>7,325,249</u>	<u>-</u>	<u>-</u>	<u>7,325,249</u>
	<u>\$ 8,931,249</u>	<u>\$ 150,012</u>	<u>\$ -</u>	<u>\$ 9,081,261</u>

(Continued)

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
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**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

4. Investments and Fair Value Measurements (Continued)

	Assets at Fair Value as of January 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Recurring fair value measurements:</u>				
Pledges receivable	\$ -	\$ -	\$ 25,000	\$ 25,000
Investments:				
Exchange traded funds	\$ 489,717	\$ -	\$ -	\$ 489,717
Fixed income	-	281,810	-	281,810
Mutual funds	<u>5,558,480</u>	<u>-</u>	<u>-</u>	<u>5,558,480</u>
	<u>\$ 6,048,197</u>	<u>\$ 281,810</u>	<u>\$ -</u>	<u>\$ 6,330,007</u>

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements within the Foundation using significant unobservable inputs (Level 3):

	2019	2018
<u>Recurring fair value measurements:</u>		
Balance, beginning of year	\$ 25,000	\$ 40,400
New pledges made	584,669	-
Pledge payments received	<u>(5,000)</u>	<u>(15,400)</u>
Balance, end of year	<u>\$ 604,669</u>	<u>\$ 25,000</u>

Unrealized gains (losses) on investments were as follows:

	2019		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 150,000	\$ 150,012	\$ 12
Exchange traded funds	1,634,580	1,606,000	(28,580)
Mutual funds	<u>7,059,783</u>	<u>7,325,249</u>	<u>265,466</u>
	<u>\$ 8,844,363</u>	<u>\$ 9,081,261</u>	<u>\$ 236,898</u>
	2018		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 281,984	\$ 281,810	\$ (174)
Exchange traded funds	466,437	489,717	23,280
Mutual funds	<u>4,676,989</u>	<u>5,558,480</u>	<u>881,491</u>
	<u>\$ 5,425,410</u>	<u>\$ 6,330,007</u>	<u>\$ 904,597</u>

(Continued)

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

4. Investments and Fair Value Measurements (Continued)

At January 31, 2019 and 2018, cash of \$1,298,450 and \$358,274, respectively, was held in money market accounts and is included in cash and cash equivalents on the statements of financial position.

Investment return, net is comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 323,592	\$ 204,089
Unrealized gain (loss)	(667,699)	584,777
Realized gain (loss)	(20,996)	55,957
Investment fees	<u>(50,895)</u>	<u>(25,295)</u>
	<u>\$ (415,998)</u>	<u>\$ 819,528</u>

5. Pledges Receivable

Pledges receivable are recorded at fair value at the time the pledge is made. Pledges receivable were as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 543,669	\$ 5,000
Receivable in one to five years	<u>61,000</u>	<u>20,000</u>
	<u>\$ 604,669</u>	<u>\$ 25,000</u>

6. Property and Equipment

Major classes of property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Building	\$ 300,000	\$ 300,000
Furniture	23,817	19,667
Software	<u>18,100</u>	<u>18,100</u>
	341,917	337,767
Accumulated depreciation	<u>(68,254)</u>	<u>(59,229)</u>
Property and equipment, net	<u>\$ 273,663</u>	<u>\$ 278,538</u>

(Continued)

**GREATER WILLIAMSBURG COMMUNITY TRUST dba
WILLIAMSBURG COMMUNITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

7. Administrative Fees

The Foundation assesses an administrative fee of up to 1% of the average balance of endowed fund balances. The fee reduces investment income allocated to each named fund, and is transferred to provide support for the overall operations of the Foundation. The total fees assessed to endowed funds in 2019 and 2018 were \$79,748 and \$61,118, respectively.

8. Special Events Income

Fundraising income is presented net of expenses as follows:

	2019	2018
5K Race		
Income	\$ 17,414	\$ 18,181
Expenses	(4,054)	(4,199)
	13,360	13,982
Other Special Events		
Income	10,205	9,152
Expenses	(8,021)	(4,313)
	2,184	4,839
	\$ 15,544	\$ 18,821

9. Related Party Transactions

During 2015, a related party donated office space valued at \$300,000 to the Foundation. In connection with this contribution, and in accordance with terms of a separate lease agreement, the Foundation leases a portion of the donated office space back to the related party. The lease agreement calls for monthly payments of \$1,000 to the Foundation through June 2024. Related party rental income was \$12,000 for 2019 and 2018 and is included in miscellaneous revenues on the statements of activities. During 2019, the related party's term on the Foundation's Board was active. The related party had rotated off the term on the Foundation's board from 2016-2018. Subsequent to 2018, the related party returned to the Foundation's Board.

During 2019 and 2018, a board member was the executor for estates where the Foundation was a primary beneficiary. This board member had a professional business relationship with these donors which pre-dated joining the Foundation board in 2013.

10. Endowment Funds

The Foundation's endowment consists of 117 individual funds established for a variety of charitable and educational purposes to support the objectives of the Foundation. As required by accounting standards, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

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**NOTES TO FINANCIAL STATEMENTS
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10. Endowment Funds (Continued)

Interpretation of relevant law

The Commonwealth of Virginia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions as those amounts are available for grant, subject to the spending policy and variance power of the Foundation, in a manner consistent with the standard of prudence prescribed by the state UPMIFA law. In accordance with state UPMIFA law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation

In addition to the donor-restricted endowments, the Foundation has donor-advised funds established by the Foundation's governing documents. Distributions from donor-advised funds are subject to review and approval or disapproval by the Board of Trustees, subsequent to the donor's recommendation. In addition, as discussed in Note 1, the Foundation has variance power which results in the Foundation classifying donor-advised funds as net assets without donor restrictions.

The endowment net asset composition by type of fund was as follows:

<u>January 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,238,634	\$ -	\$ 5,238,634
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be used for a specific purpose by donor	-	9,655,610	9,655,610
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>-</u>	<u>1,891,571</u>	<u>1,891,571</u>
	<u>\$ 5,238,634</u>	<u>\$ 11,547,181</u>	<u>\$ 16,785,815</u>

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10. Endowment Funds (Continued)

<u>January 31, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 3,086,460	\$ -	\$ 3,086,460
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be used for a specific purpose by donor	-	3,595,932	3,595,932
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>-</u>	<u>1,891,571</u>	<u>1,891,571</u>
	<u>\$ 3,086,460</u>	<u>\$ 5,487,503</u>	<u>\$ 8,573,963</u>

Changes in the endowment fund net assets were as follows:

<u>January 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Fund net assets, beginning of year	\$ 3,086,460	\$ 5,487,503	\$ 8,573,963
Investment return, net	(254,486)	(133,796)	(388,282)
Contributions	2,555,995	6,304,575	8,860,570
Appropriation of endowment assets for expenditure	(136,332)	(111,101)	(247,433)
Other changes:			
Transfers to non-endowed funds	<u>(13,003)</u>	<u>-</u>	<u>(13,003)</u>
Endowment Fund net assets, end of year	<u>\$ 5,238,634</u>	<u>\$ 11,547,181</u>	<u>\$ 16,785,815</u>

<u>January 31, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Fund net assets, beginning of year	\$ 2,548,205	\$ 1,953,078	\$ 4,501,283
Investment return, net	712,011	9,703	721,714
Contributions	197,375	3,535,517	3,732,892
Appropriation of endowment assets for expenditure	(225,899)	(374)	(226,273)
Other changes:			
Transfers to create board-designated endowment funds	<u>(145,232)</u>	<u>(10,421)</u>	<u>(155,653)</u>
Endowment Fund net assets, end of year	<u>\$ 3,086,460</u>	<u>\$ 5,487,503</u>	<u>\$ 8,573,963</u>

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**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

10. Endowment Funds (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to maintain or increase the real value of the endowment principal and its distributions over the long term while funding current needs at an appropriate level. Accordingly, the investment objective for the fund is to earn, over time, the highest possible total return (e.g., capital appreciation and current yield) consistent with the following considerations (1) the fund is a perpetual fund, and is subject to the Foundation's Spending Policy; (2) there is no current income requirement, outside of the Spending Policy, as the level of distributions will be based upon the total return anticipated for the fund, although it is anticipated that a material part of the annual distributions will be covered by cash income and appreciation earned on the endowment; (3) a moderate level of risk or variability is acceptable to achieve the return objectives, although this should be tempered by diversification of the fund within and across asset classes.

Spending Policy. The Finance and Investment Committee reviews the spending level annually. It recommends a level of spending to the Board of Trustees for the ensuing year, based upon historic and anticipated returns for the endowment and any other factors appropriate to the objective of maximizing spending, consistent with balancing current and future needs and maintaining relative stability of spending, year to year. The rate of spending is based upon an average for the current market value of the portfolio and the market value for all prior quarterly periods, beginning April 30, 2001, building to a maximum of twenty quarters. This average is adjusted for significant contributions or distributions during the period. Currently, the rate is three and one-half percent (3.5%) of the average adjusted market value. It is expected that over time the rate will be in the range of 3.5% to 5.0%. Amounts released from restriction and appropriated for expenditure include grants requested by donors and approved by the Board of Trustees and administrative fees of up to 1% of the average of the endowed fund balance.

11. Net Assets

Endowed assets consist of funds which are invested principally in long-term assets from which a specified distribution is made annually. Non-endowed assets are invested principally in short-term investments and are distributed throughout the year to support donor-advised and Foundation grants, operations, and specific purposes. All donor-advised funds have been established by donor contributions of amounts, the distribution of which the donors may advise, subject to the distribution policies of the Foundation and the approval of the Board of Trustees. Field of interest funds are established to support specific activities within the community specified by the donors of these funds, with distributions made by the Board to those activities (e.g., musical performing arts and local history). Designated funds are established to allow the donor to select one or more specific charities to receive gifts from the fund when the fund is established. Scholarship funds are established to fund scholarships to students within the community. Scholarship funds have been established by donor contributions and are subject to the distribution policies of the Foundation and the approval of the Board of Trustees.

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**NOTES TO FINANCIAL STATEMENTS
January 31, 2019 and 2018**

11. Net Assets (Continued)

Net assets are comprised of the following:

	2019	2018
Net assets without donor restrictions:		
Board-designated endowment:		
Community endowment	\$ 1,743,853	\$ 1,752,318
Field-of-interest	912,852	358,086
Scholarship	1,938,914	191,716
Designated	234,180	186,118
Donor-advised	408,835	598,222
	5,238,634	3,086,460
Non-endowed:		
Operations	7,665	17,447
Unrestricted	377,184	404,888
Field-of-interest	798	798
Scholarship	270,670	294,917
Designated	66,240	70,316
Donor-advised	1,496,410	1,677,847
	2,218,967	2,466,213
Total net assets without donor restrictions	7,457,601	5,552,673
Net assets with donor restrictions:		
Endowed:		
Designated	9,586,355	3,525,627
Donor-advised	1,891,571	1,891,571
Scholarship	69,255	70,305
	11,547,181	5,487,503
	\$ 19,004,782	\$ 11,040,176

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12. Net Assets with Donor Restrictions

Net assets with donor restrictions available for the following purposes are as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Designated	\$ 9,586,355	\$ 3,525,627
Scholarship	<u>69,255</u>	<u>70,305</u>
	<u>9,655,610</u>	<u>3,595,932</u>
Not subject to appropriation or expenditure:		
Investment in perpetuity, original gift amount	<u>1,891,571</u>	<u>1,891,571</u>
	<u>\$ 11,547,181</u>	<u>\$ 5,487,503</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Those amounts released from restriction are as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Designated	\$ 109,095	\$ -
Scholarship	<u>2,006</u>	<u>374</u>
	111,101	374
Release of endowment funds without purpose restrictions remaining	<u>-</u>	<u>16,311</u>
	<u>\$ 111,101</u>	<u>\$ 16,685</u>