DANVILLE REGIONAL FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Danville Regional Foundation

Opinion

We have audited the consolidated financial statements of the Danville Regional Foundation and Subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2022 and 2021, 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 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 Auditors' 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 the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 audits.

Marcum LLP

Washington, DC

September 8, 2023

DANVILLE REGIONAL FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 11,764,134	$ 13,469,366
Investments	234,929,884	266,357,969
Prepaid expenses and other assets	290,375	110,096
Property and equipment, net of accumulated depreciation and amortization of $808,998 and $742,609, respectively	476,111	542,500
Total Assets	$ 247,460,504	$ 280,479,931
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,044,888	$ 475,522
Deferred revenue	129,222	134,987
Grants payable	17,911,179	23,733,146
Lease liability	503,021	548,913
Notes payable	481,092	529,782
Deferred federal excise tax	438,702	1,061,163
Total Liabilities	20,508,104	26,483,513
Net Assets		
Without Donor Restrictions	226,952,400	253,996,418
Total Net Assets	226,952,400	253,996,418
Total Liabilities and Net Assets	$ 247,460,504	$ 280,479,931

The accompanying notes are an integral part of these consolidated financial statements.

DANVILLE REGIONAL FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenue and Support		
Investment (loss) income, net of expenses	$ (27,442,015)	$ 40,215,402
Contributions	13,061,797	-
Total Revenue and Support	(14,380,218)	40,215,402
Expenses		
Grantmaking and program related activities	$ 12,221,163	$ 26,267,768
Management and general	682,109	673,302
Total Expenses	12,903,272	26,941,070
Change in Net Assets Without Donor Restrictions Before Provision for Excise Taxes	(27,283,490)	13,274,332
Federal Excise Tax Provision		
Current	382,989	218,387
Deferred	(622,461)	169,088
Total Federal Excise Tax Provision	(239,472)	387,475
Change in Net Assets Without Donor Restrictions	(27,044,018)	12,886,857
Net Assets - Beginning of Year	253,996,418	241,109,561
Net Assets - End of Year	$ 226,952,400	$ 253,996,418

The accompanying notes are an integral part of these consolidated financial statements.

DANVILLE REGIONAL FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31, 2022		
	Grantmaking and Program Related Activities	Management and General	Total
Grants:			
Responsive	$ 8,481,322	$ -	$ 8,481,322
Foundation initiated	1,860,607	-	1,860,607
Total grants	10,341,929	-	10,341,929
Salaries and benefits	909,335	501,655	1,410,990
Professional fees	492,826	18,818	511,644
Other	477,073	161,636	638,709
Total Expenses	$ 12,221,163	$ 682,109	$ 12,903,272

	Year Ended December 31, 2021		
	Grantmaking and Program Related Activities	Management and General	Total
Grants:			
Responsive	$ 15,523,767	$ -	$ 15,523,767
Foundation initiated	8,810,730	-	8,810,730
Total grants	24,334,497	-	24,334,497
Salaries and benefits	922,121	512,679	1,434,800
Professional fees	598,691	28,447	627,138
Other	412,459	132,176	544,635
Total Expenses	$ 26,267,768	$ 673,302	$ 26,941,070

The accompanying notes are an integral part of these consolidated financial statements.

DANVILLE REGIONAL FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	$ (27,044,018)	$ 12,886,857
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized gains on investments	(8,497,418)	(16,575,801)
Unrealized losses (gains) on investments	38,390,404	(20,619,693)
Depreciation and amortization	66,389	62,842
Deferred federal excise tax (benefit) expense	(622,461)	169,088
Changes in assets and liabilities:		
Prepaid expenses and other assets	(180,279)	(8,184)
Accounts payable and accrued expenses	569,366	61,665
Deferred revenue	(5,765)	(502,061)
Grants payable	(5,821,967)	16,766,703
Net Cash Used In Operating Activities	(3,145,749)	(7,758,584)
Cash Flows From Investing Activities		
Acquisition of investments	(111,464,284)	(70,268,654)
Proceeds from the sale of investments	113,858,045	77,431,467
Purchase of property and equipment	-	(35,480)
Net Cash Provided By Investing Activities	2,393,761	7,127,333
Cash Flows From Financing Activities		
Payments on lease liability	(45,892)	(44,083)
Principal payments on notes payable	(48,690)	(46,623)
Net Cash Used In Financing Activities	(94,582)	(90,706)
Net Decrease In Cash and Cash Equivalents	(846,570)	(721,957)
Cash and Cash Equivalents - Beginning of Year	14,946,888	15,668,845
Cash and Cash Equivalents - End of Year	$ 14,100,318	$ 14,946,888
Cash and Cash Equivalents Reported in the Consolidated Statements of Financial Position		
Cash and cash equivalents	$ 11,764,134	$ 13,469,366
Cash and cash equivalents held within investments	2,336,184	1,477,522
Total Cash and Cash Equivalents	$ 14,100,318	$ 14,946,888
Supplemental Cash Flow Information		
Actual cash payments for excise and income taxes	$ 130,000	$ 240,000
Actual cash payments for interest	$ 46,228	$ 49,106

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Danville Regional Foundation and Subsidiaries (collectively the Foundation) seeks to develop, promote and support activities, programs and organizations that improve the health, welfare and education of the residents of the City of Danville, VA; Pittsylvania County, VA; and Caswell County, NC. The Foundation's activities are supported by an initial grant from the Danville Regional Health System which created the Foundation and the income from the Foundation's investment portfolio.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and include the accounts of the Danville Regional Foundation (DRF), its wholly owned subsidiaries, Dan River Renaissance, LLC (DRR) and DRF Timber, LLC (DRF Timber) and various wholly owned, single member limited liability company subsidiaries of DRR. All material intercompany balances and transactions have been eliminated in consolidation.

DRF is a tax-exempt private foundation that was incorporated in July 2005 under the laws of the Commonwealth of Virginia.

DRR was incorporated as a limited liability company in January 2013 under the laws of the Commonwealth of Virginia. DRF is the sole member of DRR. DRR was created to acquire various real estate investments.

DRR owned ten single member limited liability companies as of December 31, 2022 and nine single member limited liability companies as of December 31, 2021. Each of these limited liability companies were incorporated under the laws of the Commonwealth of Virginia and were created to acquire certain real property in the City of Danville, VA.

DRF Timber was incorporated as a limited liability company in July 2018 under the laws of the Commonwealth of Virginia. DRF is the sole member of DRF Timber. DRF Timber was created for investment opportunity purposes. DRF Timber makes investments in, manages and develops forest properties located primarily in the southern United States. Regions Bank serves as the manager of DRF Timber.

CASH EQUIVALENTS

The Foundation classifies all highly liquid investments purchased with an original maturity of three months or less as cash equivalents except that any such cash equivalents held by external investment managers are classified as investments.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments include common stocks, equity mutual funds, corporate bonds, U.S. government obligations and cash equivalents considered to be part of the Foundation's investment portfolio. These investments and cash equivalents are recorded in the accompanying consolidated financial statements at their fair value as of December 31st.

Investments also include investment funds considered to be alternative investment funds, as such funds are not traded in an established market with published values. Additionally, access to participation in these funds is limited and at the fund's discretion and approval, and liquidation of the Foundation's interests may be subject to various restrictions imposed by the fund managers.

The alternative investment funds consist of a commingled real estate investment fund and feeder funds in master-feeder structures invested in equity related investments in private equity partnerships. These investments are recorded in the accompanying consolidated financial statements at their fair value, as provided by the investment managers. The Foundation has adopted the accounting guidance which permits, as a practical expedient, the fair value of certain alternative investments within its scope to be estimated using net asset value (NAV) or its equivalent as reported by the investee.

Because of the inherent uncertainty of the valuation of each of the Foundation's alternative investment funds, the values used for these investments may differ significantly from the value that would have been used had a ready market for the investments existed.

The Foundation also owns timber and timberland holdings and real estate property acquired as an investment. Timber and timberland holdings are stated at fair value as determined by good faith estimates of management which use independent third-party appraisers as the basis.

Real estate property acquisitions are recorded as of the date of closing and the valuation adjusted annually based upon an independent appraisal conducted under the Uniform Standards of Professional Appraisal Practice.

The change in unrealized appreciation or depreciation of investments is included in investment (loss) income in the accompanying consolidated statements of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment (loss) income in the accompanying consolidated statements of activities.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America (GAAP), the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. This classification is applied to investments of the Foundation for which there is no established trading market.

As of December 31, 2022 and 2021, the only assets and liabilities of the Foundation which were measured at fair value on a recurring basis were the Foundation's investments, as described in Note 3 of these consolidated financial statements. In accordance with the standards, investment funds measured at NAV are excluded from the fair value hierarchy.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

Furniture and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets which range from three to seven years. Included in property and equipment is a building which the Foundation leases as outlined in Note 5 to these consolidated financial statements. The building is amortized over the lease term and leasehold improvements are amortized over the shorter of the remaining lease period or useful life of the improvements. Maintenance and repairs are charged to expense when incurred; major improvements are capitalized. Upon retirement or disposal of assets, the accounts are relieved of the cost and accumulated depreciation and amortization with any resulting gain or loss included in revenue or expense.

CLASSIFICATION OF NET ASSETS

Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Foundation's operations.

CONTRIBUTION REVENUE

Contributions without donor restrictions are reported as revenue in the year in which payments are received and/or unconditional promises are made.

GRANT EXPENSE

Grant awards are expensed in the year in which the grant commitment is made to the recipient organization, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense in the period in which the grantee substantially satisfies the conditions.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of activities and consolidated statements of functional expenses report certain categories of expenses that are attributable to both programs and management and general functions. Certain expenses have been directly applied to functions based upon the nature of the expense. Other expenses require allocation on a reasonable basis that is consistently applied. These include salaries and benefits which have been allocated on the basis of time and effort. Most other expenses have been allocated based on an allocation ratio derived from the salaries and benefits allocation.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECENT ACCOUNTING PRONOUNCEMENT

Effective January 1, 2022, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. This standard requires the recognition of lease assets (right of use assets) and lease liabilities for all leases. The Foundation's lease obligation as of December 31, 2022 and 2021 is for its office building space as described in Note 5 of these consolidated financial statements. The right of use asset represents the Foundation's right to use the underlying asset for the lease term and is included in property and equipment as described in Note 5 of these consolidated financial statements. Under accounting principles generally accepted in the United States of America prior to the adoption of ASC 842, *Leases*, the Foundation's office lease met the criteria for treatment as a capital lease. ASC 842, *Leases*, changed certain terminology, but not the accounting recognition for such leases. As such, there was no impact on the Foundation's consolidated financial statements from the adoption of ASC 842, *Leases*, other than terminology which has been applied to the years ended December 31, 2022 and 2021.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of December 31, 2022 and 2021, financial assets and liquidity resources available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the consolidated statement of financial position date, were as follows:

	2022	2021
Cash and cash equivalents	$ 11,764,134	$ 13,469,366
Investments available to be liquidated	191,903,683	223,477,192
Total financial assets and liquidity resources available within one year	$ 203,667,817	$ 236,946,558

The Foundation regularly monitors liquidity required to meet its annual operating needs, including grant commitments, while also striving to preserve the principal and return on its investment funds.

None of the Foundation's notes payable include loan covenants. While there are outstanding capital commitments for several of the Foundation's alternative investments, these commitments are due when called by the fund managers. The Foundation considers these obligations to be part of its general operating expenditures, to be funded by its financial assets and liquidity resources available within one year.

NOTE 3 - INVESTMENTS

The following table summarizes the Foundation's investments at fair value as of December 31, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 2,336,184	$ 2,336,184	$ -	$ -
Common stock:				
Consumer discretionary	9,507,607	9,507,607	-	-
Financials	9,119,838	9,119,838	-	-
Information technology	8,283,271	8,283,271	-	-
Health care	7,474,048	7,474,048	-	-
Industrials	6,213,508	6,213,508	-	-
Energy	3,304,122	3,304,122	-	-
Consumer staples	2,965,018	2,965,018	-	-
Materials	1,605,386	1,605,386	-	-
Utilities	1,350,263	1,350,263	-	-
Telecommunication services	819,753	819,753	-	-
Total common stock	50,642,814	50,642,814	-	-
Equity mutual funds	89,147,777	89,147,777	-	-
Corporate bonds	22,411,883	-	22,411,883	-
U.S. government obligations	9,678,579	-	9,678,579	-
Timber and timberland holdings	22,900,000	-	-	22,900,000
Real estate investment properties	13,707,117	-	-	13,707,117
Total [a]	$ 210,824,354	$142,126,775	$ 32,090,462	$ 36,607,117
Alternative investments measured under the NAV practical expedient: [b]				
Commingled real estate fund	13,973,062			
Feeder funds (4 private equity investment funds)	10,132,468			
Total investments	$ 234,929,884			

NOTE 3 - INVESTMENTS (CONTINUED)

The following table summarizes the Foundation's investments at fair value as of December 31, 2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 1,477,522	$ 1,477,522	$ -	$ -
Common stock:				
Consumer discretionary	11,965,535	11,965,535	-	-
Financials	12,975,631	12,975,631	-	-
Information technology	17,155,065	17,155,065	-	-
Health care	7,169,164	7,169,164	-	-
Industrials	6,355,156	6,355,156	-	-
Energy	3,463,355	3,463,355	-	-
Consumer staples	3,444,674	3,444,674	-	-
Materials	2,834,031	2,834,031	-	-
Utilities	1,473,184	1,473,184	-	-
Telecommunication services	1,805,913	1,805,913	-	-
Real estate	638,332	638,332	-	-
Total common stock	69,280,040	69,280,040	-	-
Equity mutual funds	94,199,440	94,199,440	-	-
Corporate bonds	32,045,987	-	32,045,987	-
U.S. government obligations	12,683,935	-	12,683,935	-
Timber and timberland holdings	18,700,000	-	-	18,700,000
Real estate investment properties	11,350,000	-	-	11,350,000
Total [a]	$239,736,924	$164,957,002	$ 44,729,922	$ 30,050,000
Alternative investments measured under the NAV practical expedient: [b]				
Commingled real estate fund	13,690,326			
Feeder funds (4 private equity investment funds)	12,930,719			
Total investments	$266,357,969			

NOTE 3 - INVESTMENTS (CONTINUED)

[a] Investments are categorized based on the inputs to the valuation techniques as follows:

Cash equivalents – Classified as “level 1” based upon the availability of quotes for identical assets.

Common stock and mutual funds – Classified as “level 1” as values are based upon quoted prices in an active market.

Corporate bonds and U.S. government obligations – Classified as “level 2” as values are based upon quoted prices of securities with similar characteristics, estimates using pricing models, or discounted cash flows.

Timber and timberland holdings – Classified as “level 3” as values are based upon independent appraisals.

Real estate investment properties – Classified as “level 3” as values are based upon independent appraisals conducted under the Uniform Standards of Professional Appraisal Practice as of December 31st.

[b] These investments are measured at NAV as a practical expedient and have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following table represents a roll forward of the fair value measurements as of December 31, 2022 and 2021 using significant unobservable inputs (Level 3):

Balance, December 31, 2020	$27,260,000
Purchases	167,946
Realized gains	1,224,671
Unrealized gains	4,871,083
Sales	(3,473,700)
Transfers in/out of level 3	-
Balance, December 31, 2021	30,050,000
Purchases	1,132,486
Realized gains	-
Unrealized gains	5,702,593
Sales	(277,962)
Transfers in/out of level 3	-
Balance, December 31, 2022	$36,607,117

NOTE 3 - INVESTMENTS (CONTINUED)

All unrealized gains/losses shown in the preceding table are included in net investment (loss) income in the accompanying consolidated statements of activities for the years ended December 31, 2022 and 2021.

The following details the Foundation's ability to redeem investment funds valued at NAV, or its equivalent, as of December 31, 2022 and includes any unfunded commitments of the Foundation to these funds as of December 31, 2022:

	Fair Value	Number of Funds	Unfunded Commitments	Redemption Restrictions
Commingled real estate fund	$13,973,062	1	None	All shareholders have the right to request a redemption of shares on a quarterly basis which will be processed for payment at the end of the next calendar quarter.
Feeder funds	10,132,468	4	$3,421,410 outstanding. Such capital commitments are due when called by the fund manager.	Investors are not able to redeem their interests until the end of the limited partnership terms which are as follows: December 12, 2023 ($280,234); October 26, 2026 ($1,447,624); and January 21, 2029 ($8,341,226). The terms for each may be extended by the General Partner of the fund for two successive one year terms. A fourth fund ($63,384) is in dissolution.
Total	$24,105,530	5	$3,421,410	

NOTE 3 - INVESTMENTS (CONTINUED)

The following details the Foundation's ability to redeem investment funds valued at NAV, or its equivalent, as of December 31, 2021 and includes any unfunded commitments of the Foundation to these funds as of December 31, 2021:

	Fair Value	Number of Funds	Unfunded Commitments	Redemption Restrictions
Commingled real estate fund	$13,690,326	1	None	All shareholders have the right to request a redemption of shares on a quarterly basis which will be processed for payment at the end of the next calendar quarter.
Feeder funds	12,930,719	4	$3,421,410 outstanding. Such capital commitments are due when called by the fund manager.	Investors are not able to redeem their interests until the end of the limited partnership terms which are as follows: December 12, 2023 ($447,242); October 26, 2026 ($1,926,653); and January 21, 2029 ($10,456,882). The terms for each may be extended by the General Partner of the fund for two successive one year terms. A fourth fund ($99,942) is in dissolution.
Total	$26,621,045	5	$3,421,410	

Additional redemption restrictions may be exercised at the discretion of the fund managers and are dependent upon available cash of the funds as well as considerations of the fund managers including the protection of the interests of other investors in the funds.

NOTE 3 - INVESTMENTS (CONTINUED)

The commingled real estate investment fund consists of real estate investments which are recorded at their estimated fair value, determined in accordance with the policies and procedures of the Appraisal Standards Board and the Appraisal Foundation. Investment values are determined quarterly from limited restricted appraisals, in accordance with the Uniform Standards of Professional Appraisal Practice. Full appraisal reports are prepared on a rotating basis for all properties held by the fund so each property receives a full appraisal report at least once every three years. Ultimate realization of the fair values is dependent upon economic and other conditions in the markets in which individual properties are located. Given the inherent uncertainty of real estate valuations related to assumptions regarding capitalization rates, discount rates, leasing and other factors, the estimated market values provided by the Foundation's investment manager may differ from values that would be determined by negotiation between independent parties in sales transactions, and the difference could be material.

The feeder funds include three foreign funds and one domestic fund as of December 31, 2022 and 2021. These funds include equity and equity related investments in private equity partnerships acquired through secondary market transactions. These private equity partnerships include investments in public and private companies and may include venture capital, buyout, mezzanine capital (subordinated debt or preferred equity instruments), early stage companies and companies in distress or trading at distressed levels and likely to restructure, reorganize or liquidate.

Investment returns are summarized as follows:

	2022	2021
Interest, dividends and other investment returns	$ 4,228,427	$ 4,705,802
Realized gains	8,497,418	16,575,801
Unrealized (losses) gains	(38,390,404)	20,619,693
Total investment returns	(25,664,559)	41,901,296
Lease income – from real estate investment properties	311,342	218,915
Subtotal	(25,353,217)	42,120,211
Investment management, advisory and consulting fees	(1,264,870)	(1,292,621)
Other costs related to the real estate investment properties and DRR Timber	(823,928)	(612,188)
Net investment (loss) income	($27,442,015)	$ 40,215,402

Included in investment management, advisory and consulting fees are the fees of funds in which the Foundation is invested which separately report such fees. Certain of the funds in which the Foundation is invested do not report their management fees.

NOTE 3 - INVESTMENTS (CONTINUED)

While the Foundation has not purchased its real estate investment properties with the intent to lease these properties, certain of the properties have tenants in a portion of the space. As of December 31, 2022, the leases for six tenants have a remaining stated term in excess of one year. Each of these leases contain a fixed escalation clause for increases in the annual minimum rent. These fixed escalations are not considered significant to the consolidated financial statements, and lease income under these leases is therefore recognized based upon the actual receipts each year.

As of December 31, 2022, total future minimum lease rentals to be received are as follows:

For the Year Ending December 31,	
2023	$ 289,328
2024	261,863
2025	182,774
2026	37,998
2027	6,364
Total	$ 778,327

NOTE 4 - GRANTS PAYABLE

The Foundation awards grants to various nonprofit organizations. As of December 31, 2022 and 2021, the Foundation had unconditionally promised to give $17,911,179 and $23,733,146, respectively, in grants which are due to be paid as follows:

	2022	2021
Less than one year	$ 11,176,182	$14,227,589
One to five years	6,734,997	9,505,557
Total	$ 17,911,179	$23,733,146

The present value factor of grants payable due in one to five years was not considered significant to the Foundation's consolidated financial statements and, accordingly, not recognized in these consolidated financial statements.

NOTE 4 - GRANTS PAYABLE (CONTINUED)

Grant Award Commitments

As of December 31, 2022 and 2021, the Foundation had conditionally promised future grant awards totaling $4,966,541 and $13,762,694, respectively, to various organizations. As the amount of the liability for these grant awards is contingent upon the grantees meeting certain requirements, these amounts have not been reflected as a liability as of December 31, 2022 and 2021 in the accompanying consolidated financial statements.

NOTE 5 – COMMITMENTS, RISKS AND CONTINGENCIES

Concentration of Credit Risk

The Foundation's cash is comprised of amounts in accounts at various financial institutions. While the amount at times exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2022 and 2021, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor, per financial institution, up to $250,000. The amount held by the Foundation in excess of the FDIC insured limit was approximately $1.2 million and $1.9 million as of December 31, 2022 and 2021, respectively.

Office Space

In January 2011, the Foundation, in partnership with Averett University of Danville (Averett), a third party unrelated to the Foundation, entered into a lease agreement for a building in Danville, VA, which the Foundation uses for its office space. This lease met the criteria for treatment as a capital lease (as of January 1, 2022, upon the adoption of ASC 842, *Leases,* termed a financing lease).

The lease was effective January 1, 2011 and has a ten-year term with an option to renew for an additional ten years which the Foundation has done. The lease also affords the Foundation or Averett the right to purchase the property at any time for the remaining unpaid balance of the lessor's loan covering the building. If either or both the Foundation and Averett remain tenants for the full twenty year possible term of the lease and the lessor's loan is fully paid, either the Foundation, Averett or both will have the right to purchase the property for $10.

The lease originally provided for a base annual rent of $222,000 of which the Foundation was responsible for $73,260. The base annual rent may be adjusted at the beginning of the sixth year of the lease to reflect changes in the interest rate charged by the landlord's lender. Additionally, the Foundation and Averett may mutually revise the allocation of the base rent amongst themselves at any time. The lease gives the Foundation and Averett the right to lease portions of the building to other tenants. Any income generated from such future tenants will be applied to the base rent owed by the Foundation and Averett.

NOTE 5 – COMMITMENTS, RISKS AND CONTINGENCIES (CONTINUED)

Office Space (continued)

In the first quarter of 2018, the Foundation received notice that the interest rate charged by the landlord's lender had been lowered, resulting in a reduction in the base annual rent, retroactive to the first quarter of 2017, to $204,000, of which the Foundation is responsible for $67,320.

The total building cost was approximately $2.7 million. The Foundation capitalized and included in property and equipment its share of the building cost (termed the "right of use asset" under ASC 842, *Leases*) under the terms of the lease at a cost of $891,000 with accumulated amortization of $493,763 and $449,213 as of December 31, 2022 and 2021, respectively. The amortization of the right of use asset was $44,550 for each of the years ended December 31, 2022 and 2021. A discount rate of 5.4% was used at the inception of this lease which was revised to 4.1% effective March 2017. Interest expense from the lease liability was $21,428 and $23,237 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, total future minimum annual lease payments under this lease for the Foundation, including the ten-year renewal period and including the base rent reduction described above, are as follows:

For the Year Ending December 31,	
2023	$ 67,320
2024	67,320
2025	67,320
2026	67,320
2027	67,320
Thereafter	263,683
Total	600,283
Less: Amounts representing interest	(97,262)
Total lease liability	$ 503,021

These future minimum lease payments were unchanged by the adoption of ASC 842, *Leases*.

NOTE 6 - NOTES PAYABLE

As of December 31, 2022 and 2021, the Foundation was obligated under the following notes payable, which were issued in connection with the purchase of real estate for investment, and each of which is secured by the related real estate property:

	2022	2021
In July, 2015, the Foundation obtained a $510,000 loan from a third party. The note has a ten-year term which commenced July 31, 2015. Interest accrues at an annual rate of 3.5% in the first year and 5.0% thereafter. Payments of interest and principal are due monthly in the amount of $2,958 for the first twelve months and $3,247 thereafter. The note matures August 1, 2025 with a balloon principal payment in the amount of $331,074 due at that time.	$ 385,292	$ 404,473
In September, 2015, the Foundation obtained a $280,000 loan from a third party. The note has a ten-year term which commenced September 25, 2015. Interest accrues at an annual rate of 4.0%. Payments of interest and principal equal to $34,521 are due annually. The note matures September 25, 2025.	95,800	125,309
Total notes payable	$ 481,092	$ 529,782

The future principal payments under these notes as of December 31, 2022 are as follows:

For the Year Ending December 31,	
2023	$ 50,852
2024	53,111
2025	377,129
Total	$ 481,092

NOTE 7 - RETIREMENT PLAN

The Foundation offers a defined contribution plan under Section 403(b) of the Internal Revenue Code (IRC). Under the 403(b) plan, employees may elect to contribute up to the federal tax limitation. The plan provides for a 3% safe harbor employer contribution as well as matching contributions and other discretionary employer contributions. Eligible employees are immediately 100% vested in any employer contribution. Retirement plan expense for the years ended December 31, 2022 and 2021 was $96,786 and $86,092, respectively, and is included in salaries and benefits in the accompanying consolidated statements of functional expenses.

NOTE 8 - INCOME AND EXCISE TAXES

DRF is exempt from federal income taxes other than on net unrelated business income under IRC Section 501(c)(3) and has been classified as a private foundation under Section 509(a) of the IRC. As a private foundation, the Foundation is subject to excise tax on its net investment income, which excludes unrealized gains and losses. The Foundation also generates unrelated business income from the rental income on certain of its real estate investment properties.

DRF Timber, DRR and each of DRR's wholly owned single member limited liability companies are all treated as disregarded entities for tax reporting purposes and accordingly, the activities of each of these entities are included in DRF's tax return.

The applicable excise tax rate for the years ended December 31, 2022 and 2021 for private foundations was 1.39%.

The Foundation had a current excise tax payable of approximately $240,000 as of December 31, 2022 which is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. The Foundation had a current excise tax receivable of approximately $5,000 as of December 31, 2021 which is included in prepaids and other assets in the accompanying consolidated statements of financial position.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

NOTE 8 - INCOME AND EXCISE TAXES (CONTINUED)

As of December 31 2022 and 2021, the Foundation calculated its deferred tax liability using the excise tax rate of 1.39% in effect for 2023 and 2022. The deferred excise tax liability of $438,702 and $1,061,163 as of December 31, 2022 and 2021, respectively, represents the federal excise tax on the net unrealized appreciation on investments.

The Foundation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income tax. For the years ended December 31, 2022 and 2021, the Foundation had no significant unrelated business income and management did not identify any uncertainty in income tax requiring recognition or disclosure in these consolidated financial statements.

The Foundation's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

NOTE 9 - SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events through September 8, 2023, the date the consolidated financial statements were available to be issued. There were no subsequent events identified through September 8, 2023 required to be disclosed in these consolidated financial statements.