

*Financial Statements  
Years Ended  
June 30, 2011 and 2010*

*Community Foundation of Western Virginia, Inc.  
d/b/a Foundation for Roanoke Valley*



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

*Contents*

	<b>Page</b>
<i>Report of Independent Auditors</i>	1
<i>Financial Statements</i>	
<i>Statements of Financial Position</i>	2
<i>Statement of Activities</i>	3 - 4
<i>Statements of Cash Flows</i>	5
<i>Notes to Financial Statements</i>	6 - 14



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## *Report of Independent Auditors*

Board of Governors

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

We have audited the accompanying statements of financial position of *Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley* as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of *Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2010 were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated September 24, 2010 expressed an unqualified opinion on those statements.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of *Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley* as of June 30, 2011, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Roanoke, Virginia  
October 28, 2011

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

*Statements of Financial Position*

<b>June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 2,533,309	\$ 1,194,671
Investments	44,482,539	35,891,038
Contributions receivable from remainder trusts and estates	676,388	627,608
Pledges receivable - net	969,657	1,108,750
Educational loans receivable - net	832,767	912,094
Prepaid expenses	7,061	6,792
Property and equipment - net	19,224	24,390
	\$ 49,520,945	\$ 39,765,343
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Grants payable	\$ 100,165	\$ 11,000
Accounts payable	2,347	3,183
Annuity obligations	224,656	269,639
Agency funds	2,455,245	2,199,996
	2,782,413	2,483,818
<b>Net assets</b>		
Unrestricted		
Undesignated	4,780,367	3,298,228
Field of interest	15,110,983	13,561,201
Designated	5,056,039	3,116,670
Advised	9,994,419	8,668,033
Scholarship	9,233,142	5,908,184
	44,174,950	34,552,316
Temporarily restricted	2,563,582	2,729,209
	46,738,532	37,281,525
	\$ 49,520,945	\$ 39,765,343

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

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

*Statement of Activities*

**Year Ended June 30, 2011**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions	\$ 5,989,511	\$ 1,179,643	\$ 7,169,154
Interest and dividend income	570,205	4,312	574,517
Administrative fees	480,865	-	480,865
Unrealized gains on investments	5,006,150	44,635	5,050,785
Realized gains on investments	425,360	3,200	428,560
Change in contributions receivable from remainder trusts	-	48,780	48,780
Change in annuity obligations	-	44,983	44,983
Net assets released from donor restrictions	1,491,180	(1,491,180)	-
<b>Total support and revenues</b>	<b>13,963,271</b>	<b>(165,627)</b>	<b>13,797,644</b>
<b>Expenses</b>			
Program services and grant making	2,823,596	-	2,823,596
General and administrative	1,264,602	-	1,264,602
Investment management fees	153,217	-	153,217
Fundraising	99,222	-	99,222
<b>Total expenses</b>	<b>4,340,637</b>	<b>-</b>	<b>4,340,637</b>
<b>Change in net assets</b>	<b>9,622,634</b>	<b>(165,627)</b>	<b>9,457,007</b>
<b>Net assets - beginning of year</b>	<b>34,552,316</b>	<b>2,729,209</b>	<b>37,281,525</b>
<b>Net assets - end of year</b>	<b>\$ 44,174,950</b>	<b>\$ 2,563,582</b>	<b>\$ 46,738,532</b>

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

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

*Statement of Activities*

**Year Ended June 30, 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions	\$ 1,218,278	\$ 810,000	\$ 2,028,278
Interest and dividend income	423,228	5,019	428,247
Administrative fees	422,339	-	422,339
Unrealized gains on investments	2,418,042	24,015	2,442,057
Realized losses on investments	(8,139)	(141)	(8,280)
Change in contributions receivable from remainder trusts	-	113,347	113,347
Change in annuity obligations	-	(15,455)	(15,455)
Net assets released from donor restrictions	929,299	(929,299)	-
<b>Total support and revenues</b>	<b>5,403,047</b>	<b>7,486</b>	<b>5,410,533</b>
<b>Expenses</b>			
Program services and grant making	2,298,100	-	2,298,100
Investment management fees	152,674	-	152,674
Fundraising	95,302	-	95,302
General and administrative	780,789	-	780,789
<b>Total expenses</b>	<b>3,326,865</b>	<b>-</b>	<b>3,326,865</b>
<b>Change in net assets</b>	<b>2,076,182</b>	<b>7,486</b>	<b>2,083,668</b>
<b>Net assets - beginning of year</b>	<b>32,476,134</b>	<b>2,721,723</b>	<b>35,197,857</b>
<b>Net assets - end of year</b>	<b>\$34,552,316</b>	<b>\$ 2,729,209</b>	<b>\$37,281,525</b>

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

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

*Statements of Cash Flows*

<b>Years Ended June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 9,457,007	\$ 2,083,668
Adjustments to reconcile to net cash from operating activities:		
Provision for bad debts	202,092	68,750
Depreciation expense	7,865	8,378
Unrealized gains on investments	(5,050,785)	(2,442,057)
Realized (gains) losses on investments	(428,560)	8,280
Noncash contributions	(1,069,379)	(414,131)
Change in:		
Contributions receivable from remainder trusts and estates	(48,780)	(113,347)
Pledges receivable	139,093	(148,750)
Educational loans receivable	420,218	202,055
Prepaid expenses	(269)	(1,612)
Grants payable	89,165	(8,074)
Accounts payable	(836)	323
Annuity obligations	(44,983)	15,455
Agency funds	255,249	143,113
<b>Net cash from operating activities</b>	<u>3,927,097</u>	<u>(597,949)</u>
<b>Cash flows from investing activities</b>		
Net purchases of investments	(2,585,760)	(662,594)
Purchases of property and equipment	(2,699)	(13,989)
<b>Net cash from investing activities</b>	<u>(2,588,459)</u>	<u>(676,583)</u>
<b>Net change in cash and cash equivalents</b>	1,338,638	(1,274,532)
<b>Cash and cash equivalents - beginning of year</b>	<u>1,194,671</u>	<u>2,469,203</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 2,533,309</u>	<u>\$ 1,194,671</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Contributions of marketable securities	\$ 526,396	\$ 414,131
Contributions of educational loans receivable	\$ 542,983	\$ -

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

# *Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley*

## *Notes to Financial Statements*

---

June 30, 2011 and 2010

---

### 1. Organization and Nature of Activities

*Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley* (Foundation) is a publicly-supported community foundation, which was created in Virginia in 1988 and began operations in March 1990. The Foundation strives to provide a cost effective, efficient vehicle through which donors can make contributions and have them administered to a variety of charities throughout the southwestern Virginia region.

### 2. Summary of Significant Accounting Policies

#### **Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### **Net Assets**

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Foundation receives contributions from donors with stipulations regarding distributions of the assets and the earnings from the assets, but maintains a variance power over these contributions. While the Foundation attempts to meet the desires expressed by the donors at the time of the contributions, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Foundation's Board of Governors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify all net assets as unrestricted, with the exception of assets related to charitable remainder trusts, pledges and educational loan receivables, which are classified as temporarily restricted net assets due to the time restrictions of the assets. The financial statements report amounts separately by class of net assets as follows:

**Unrestricted net assets** generally result from revenues derived from providing services; receiving unrestricted contributions; realized gains and losses; and receiving dividends and interest from investing in income-producing assets, less expenses incurred in providing services, raising contributions, performing administrative functions, and acquiring property and equipment. There are several types of funds within the classification of unrestricted net assets:

1. **Undesignated funds** provide the best flexibility to meet present, emerging and future community needs. The Foundation's Board of Governors applies this fund to the areas of greatest need in the communities of southwestern Virginia. Earnings from these funds are classified as unrestricted.



2. **Field of interest funds** enable donors to specify their funds to a particular charitable area of interest. Specific grant recipients within that field are chosen by the Board of Governors. Earnings are classified as unrestricted.
3. **Designated funds** allow donors to specify which charitable organizations or programs are to benefit from the fund. Earnings are classified as unrestricted.
4. **Advised funds** enable donors to establish a fund and periodically make recommendations to the Board of Governors as to grants from the fund. Earnings from these funds are classified as unrestricted.
5. **Scholarship funds** enable donors to provide annual financial support to deserving young men and women pursuing higher-education studies at accredited schools or universities. Recipients are selected in accordance with federal laws through a board approved, objective and non-discriminatory process. Earnings from these funds are classified as unrestricted.

**Temporarily restricted net assets** generally result from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

**Permanently restricted net assets** generally represent the historical cost (fair value at date of gift) of contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Foundation. At June 30, 2011 and 2010, the Foundation had no permanently restricted net assets.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with a purchased maturity of less than one year to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies.

### **Investments**

Investments in securities are carried at fair value. The fair value of interests in hedge funds, private equities and real assets are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and therefore, value realized upon disposition may vary significantly from reported values.

Investment income (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Management periodically reviews its investment portfolio for other than temporary declines. Securities that are deemed to have other than temporary declines are assigned a new costs basis based on the fair value at the determination date. The difference in the old and new basis is recorded in investment income.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Investment securities are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

The Foundation manages an investment pool. Investment income is allocated to all pooled funds on a quarterly basis using the average balance in each fund during the quarter. The pool consists of temporarily restricted and unrestricted funds.

### **Contributions Receivable from Remainder Trusts and Estates**

The Foundation is the beneficiary of four irrevocable charitable remainder trusts. All income was recognized as temporarily restricted in the current year due to the implied time restrictions. Under the agreements, the donor receives an annual distribution of a percentage of the market value of the trust until death at which time the Foundation receives all or a portion of the remaining principal and income. Based on the donor's life expectancy and a 4.0% discount rate, the present value of future benefits expected to be received by the Foundation from these agreements at June 30, 2011 and 2010 is estimated to be \$676,388 and \$627,608, respectively.

At June 30, 2011 and 2010, one trust made up approximately 72% of the benefit the Foundation expects to receive.

### **Pledges Receivable**

Pledges receivable are unconditional promises to give and, depending on the existence and/or nature of any donor restrictions, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues when the donor's commitment is received. The Foundation's pledges receivable includes a provision for bad debts which is calculated based on management's analysis of future expected cash flows and management's judgment. The Foundation writes off pledges receivable against the provision when it is determined that a balance is no longer collectible.

### **Educational Loans Receivable**

The Foundation's educational loans receivable include a provision for bad debts which is calculated based on the collection status of the loans, historical experience and management's judgment. The Foundation writes off educational loans receivable against the provision when it is determined that a balance is no longer collectible.

### **Property and Equipment**

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to ten years for office furniture and equipment. It is the Foundation's policy to capitalize property and equipment expenditures over \$700. Depreciation expense for 2011 and 2010 was \$7,865 and \$8,378, respectively. Accumulated depreciation was \$58,360 and \$50,495 at June 30, 2011 and 2010, respectively.

## **Contributions Received**

Contributions received are recorded as unrestricted net assets as discussed above. It is the expressed intention of the Foundation to honor the designation of donors; however, the Foundation reserves the right to exercise final control over all funds that are not considered permanently restricted net assets. Noncash contributions are valued at the estimated fair value of the asset donated.

## **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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

## **Income Taxes**

The Foundation is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code (IRC); accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2011. Fiscal years ending on or after June 30, 2008 remain subject to examination by federal and state authorities. It is not categorized as a private foundation and has no unrelated business income subject to federal or state income tax under section 511 of the IRC.

## **Credit Risk**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of interest-bearing transaction accounts and money market deposit accounts. The Foundation places its interest-bearing and money market accounts in high credit quality financial institutions. The Foundation has not experienced any losses in these accounts. At June 30, 2011 and 2010, the Foundation's bank balances were in excess of the FDIC insurance limit by \$0 and \$433,701, respectively.

## **Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 28, 2011 the date the financial statements were available to be issued.

## **Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

### 3. Investments

Investment activity is reflected below:

	<u>2011</u>	<u>2010</u>
Investments - beginning	\$ 35,891,038	\$ 32,380,536
Investment returns:		
Dividends and interest	588,576	584,206
Net realized loss	428,560	(8,280)
Agency funds net realized gain	26,457	753
Net unrealized gain	5,050,785	2,442,057
Agency funds net unrealized gain	325,753	-
Investment expenses	(625,835)	(573,776)
Purchases and sales	<u>2,797,205</u>	<u>1,065,542</u>
Investments - ending	<u>\$ 44,482,539</u>	<u>\$ 35,891,038</u>

### 4. Fair Value of Measurements

The Foundation adopted accountings standards which established 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 are described below:

Level 1           Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities 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 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.

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 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 are used to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies used at June 30, 2011. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Stocks and corporate bonds:* Valued at closing price reported on the active market on which the individual securities are traded.

*Government bonds and bond index funds:* Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

*Balanced funds:* Valued at the net asset value of shares held at year end.

*Hedge funds, private equities and real assets:* Hedge funds, private equities and real assets held in limited partnerships and limited liability corporations are valued at the Foundation's pro-rata interest in the net assets of these entities. Investments held by these entities are valued at prices which approximate fair value. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided by these entities.

*Remainder trusts receivable:* Valued at the net present value of future cash flows expected to be received based on life expectancies of the donees and a discount rate of 4.0%.

*Pledges and educational loans receivable:* Valued at net realizable value if at the time the promise is made.

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 table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,306,215	\$ -	\$ -	\$ 3,306,215
Stocks	17,960,989	-	-	17,960,989
Bond index funds	-	5,867,066	-	5,867,066
Corporate bonds	69,032	-	-	69,032
Government bonds	-	328,805	-	328,805
Balanced funds	4,248,457	-	-	4,248,457
Hedge funds	-	-	8,080,300	8,080,300
Private equities	-	-	2,797,419	2,797,419
Real assets	-	-	1,824,256	1,824,256
<b>Total investments</b>	<b>\$ 25,584,693</b>	<b>\$ 6,195,871</b>	<b>\$ 12,701,975</b>	<b>\$ 44,482,539</b>
Remainder trusts receivable	-	-	676,388	676,388
Pledges receivable	-	-	969,657	969,657
Educational loans receivable	-	-	832,767	832,767
<b>Total receivables</b>	<b>-</b>	<b>-</b>	<b>2,478,812</b>	<b>2,478,812</b>
	<b>\$ 25,584,693</b>	<b>\$ 6,195,871</b>	<b>\$ 15,180,787</b>	<b>\$ 46,961,351</b>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,988,920	\$ -	\$ -	\$ 1,988,920
Stocks	14,877,573	-	-	14,877,573
Bond index funds	-	7,176,627	-	7,176,627
Corporate bonds	42,068	-	-	42,068
Government bonds	-	589,451	-	589,451
Balanced funds	444,138	-	-	444,138
Hedge funds	-	-	7,286,092	7,286,092
Private equities	-	-	2,126,563	2,126,563
Real assets	-	-	1,359,606	1,359,606
<b>Total investments</b>	<b>\$ 17,352,699</b>	<b>\$ 7,766,078</b>	<b>\$ 10,772,261</b>	<b>\$ 35,891,038</b>
Remainder trusts receivable	-	-	627,608	627,608
Pledges receivable	-	-	1,108,750	1,108,750
Educational loans receivable	-	-	912,094	912,094
<b>Total receivables</b>	<b>-</b>	<b>-</b>	<b>2,648,452</b>	<b>2,648,452</b>
	<b>\$ 17,352,699</b>	<b>\$ 7,766,078</b>	<b>\$ 13,420,713</b>	<b>\$ 38,539,490</b>

### Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 investment assets at June 30, 2011:

	Investments	Receivables
Balance - beginning of year	\$ 10,772,261	\$ 2,648,452
Net changes in fair value	(425,534)	-
Purchases	2,355,248	-
Additional receivables	-	1,188,457
Payments on receivables	-	(897,255)
Provision for bad debts	-	(202,092)
Pledges receivable allowance	-	(258,750)
<b>Balance - end of year</b>	<b>\$ 12,701,975</b>	<b>\$ 2,478,812</b>

## 5. Pledges Receivable

The Foundation has the following pledges receivable outstanding:

	2011	2010
Pledges expected to be collected in:		
Less than one year	\$ 1,228,407	\$ 750,000
One to five years		358,750
	1,228,407	1,108,750
Less allowance for uncollectible pledges	(258,750)	-
	\$ 969,657	\$ 1,108,750

## 6. Educational Loans Receivable

The Foundation has educational loans receivable at June 30, 2011 and 2010 of \$832,767 and \$912,094, respectively. These loans consist of \$1,863,854 and \$1,504,714 in promissory notes net of an estimated uncollectible allowance of \$1,031,087 and \$592,620 at June 30, 2011 and 2010, respectively. These promissory notes are due from current and former students and have various interest rates and repayment terms and are collectible through 2018.

## 7. Grants Payable

Grants payable consist of amounts awarded, but not yet paid, to scholarship recipients. All amounts are to be paid within the next fiscal year.

## 8. Annuity Obligations

The Foundation is a participant in several charitable gift annuities. Under these agreements, the donor contributes a sum of money to be invested by the Foundation. The Foundation then makes an annual distribution of the fund's earnings to the donor for life. The present value of this future benefit is recorded as a liability. Upon the donor's death, the remaining principal and income are held for specified charitable organizations.

## 9. Agency Funds

In accordance with generally accepted accounting principles, a liability is established when a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund. The Foundation maintains variance power and legal ownership of these agency funds and as such continues to report the funds as assets of the Foundation. Revenues and expenses are reported net of agency funds on the Statement of Activities.

## 10. Operating Leases

The Foundation leases office space under a five-year lease that commenced in March 2007. On April 10, 2010, the Foundation entered into a five-year lease that commences January 1, 2012.

The Foundation leases office space under an operating lease expiring May 31, 2013. The Foundation has the right to renew this lease through May 31, 2016.

Total rental expense for these leases was \$53,250 and \$46,602 for 2011 and 2010, respectively.

The future minimum lease payments for years ending June 30 are as follows:

2012	\$	74,365
2013		80,245
2014		71,747
2015		73,900
2016		76,117
2017		<u>38,621</u>
	\$	<u>414,995</u>

## 11. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2011 and 2010 were \$20,200 and \$18,842, respectively.

## 12. Impact of Subsequent Stock Market Declines

Subsequent to June 30, 2011, significant declines in fair value occurred in worldwide securities markets. As of September 30, 2011, the fair value of debt and equity securities owned by the Foundation may have also declined significantly. Fair value estimates for securities are volatile, difficult to predict and subject to material changes that could affect the Foundation's financial condition and results of operations in the near term.

\* \* \* \* \*