

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

Financial Statements

Years Ended June 30, 2015 and 2014

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley, a not-for-profit organization, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley as of June 30, 2015 and 2014, 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.

Dixon Hughes Goodman LLP

**Roanoke, Virginia
November 18, 2015**

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 934,309	\$ 1,540,505
Investments	57,817,569	57,538,515
Contributions receivable from remainder trusts and estates	2,811,686	2,481,838
Educational loans receivable - net	254,149	478,000
Prepaid expenses	13,420	18,204
Property and equipment - net	36,219	22,731
	<u>\$ 61,867,352</u>	<u>\$ 62,079,793</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 195,340	\$ 76,750
Accounts payable and accrued liabilities	30,822	24,283
Annuity obligations	232,746	243,223
Agency funds	2,273,195	2,291,259
	<u>2,732,103</u>	<u>2,635,515</u>
Net assets:		
Unrestricted:		
Undesignated	6,243,241	6,195,944
Field of interest	20,043,921	20,629,062
Designated	4,695,710	4,601,767
Advised	12,347,572	12,086,434
Scholarship	12,663,058	12,873,293
	<u>55,993,502</u>	<u>56,386,500</u>
Temporarily restricted	<u>3,141,747</u>	<u>3,057,778</u>
	<u>59,135,249</u>	<u>59,444,278</u>
	<u>\$ 61,867,352</u>	<u>\$ 62,079,793</u>

See accompanying notes.

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Statement of Activities
June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contributions	\$ 2,319,769	\$ 329,848	\$ 2,649,617
Interest and dividend income	469,699	2,506	472,205
Administrative fees	745,899	-	745,899
Unrealized losses on investments	(1,713,288)	(9,590)	(1,722,878)
Realized gains on investments	2,356,478	13,073	2,369,551
Change in annuity obligations	-	10,477	10,477
Net assets released from donor restrictions	262,345	(262,345)	-
Total support and revenues	<u>4,440,902</u>	<u>83,969</u>	<u>4,524,871</u>
Expenses:			
Program services and grant making	3,201,878	-	3,201,878
General and administrative	1,299,483	-	1,299,483
Investment management fees	193,528	-	193,528
Fundraising	139,011	-	139,011
Total expenses	<u>4,833,900</u>	<u>-</u>	<u>4,833,900</u>
Change in net assets	(392,998)	83,969	(309,029)
Net assets - beginning of year	<u>56,386,500</u>	<u>3,057,778</u>	<u>59,444,278</u>
Net assets - end of year	<u>\$ 55,993,502</u>	<u>\$ 3,141,747</u>	<u>\$ 59,135,249</u>

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Statement of Activities
June, 30 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contributions	\$ 1,913,702	\$ 1,748,337	\$ 3,662,039
Interest and dividend income	756,981	4,932	761,913
Administrative fees	728,367	-	728,367
Unrealized gains on investments	4,016,651	25,506	4,042,157
Realized gains on investments	1,896,999	12,876	1,909,875
Miscellaneous revenue	609	-	609
Change in annuity obligations	-	18,554	18,554
Net assets released from donor restrictions	169,408	(169,408)	-
	<u>9,482,717</u>	<u>1,640,797</u>	<u>11,123,514</u>
Total support and revenues			
Expenses:			
Program services and grant making	2,906,327	-	2,906,327
General and administrative	1,071,951	-	1,071,951
Investment management fees	201,251	-	201,251
Fundraising	115,791	-	115,791
	<u>4,295,320</u>	<u>-</u>	<u>4,295,320</u>
Total expenses			
Change in net assets	5,187,397	1,640,797	6,828,194
Net assets - beginning of year	<u>51,199,103</u>	<u>1,416,981</u>	<u>52,616,084</u>
Net assets - end of year	<u>\$ 56,386,500</u>	<u>\$ 3,057,778</u>	<u>\$ 59,444,278</u>

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Statements of Cash Flows
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows used in operating activities		
Change in net assets	\$ (309,029)	\$ 6,828,194
Adjustments to reconcile to net cash from operating activities:		
Provision for (recovery of) bad debts	10,075	(91,134)
Depreciation expense	9,199	7,992
Unrealized losses (gains) on investments	1,722,878	(4,042,157)
Realized gains on investments	(2,369,551)	(1,909,875)
Change in:		
Contributions receivable from remainder trusts and estates	(329,848)	(1,738,100)
Educational loans receivable	213,776	197,234
Prepaid expenses	4,784	(193)
Grants payable	118,590	(77,377)
Accounts payable and accrued liabilities	6,539	20,196
Annuity obligations	(10,476)	(18,555)
Agency funds	(18,064)	(71,810)
Net cash used in operating activities	<u>(951,127)</u>	<u>(895,585)</u>
Cash flows provided by investing activities		
Net sales of investments	367,618	1,050,403
Purchases of property and equipment	(22,687)	(1,772)
Net cash provided by investing activities	<u>344,931</u>	<u>1,048,631</u>
Net change in cash and cash equivalents	(606,196)	153,046
Cash and cash equivalents - beginning of year	<u>1,540,505</u>	<u>1,387,459</u>
Cash and cash equivalents - end of year	<u>\$ 934,309</u>	<u>\$ 1,540,505</u>

Notes to Financial Statements

1. Organization and Nature of Activities

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley (“the 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, charitable gift annuities, 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. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

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.

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley Notes to Financial Statements

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, 2015 and 2014, 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 three months 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 cost 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.

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

Contributions Receivable from Remainder Trusts and Estates

The Foundation is the beneficiary of an irrevocable charitable remainder trust (Trust). All income was recognized as temporarily restricted in a prior year due to the implied time restrictions. Under the agreement, 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. The present value of future benefits to be received by the Foundation is based on the donor's life expectancy and a 4.0% discount rate. A third party has asserted that they are the beneficiary of the Trust. The ultimate outcome is unknown and the matter will be decided by a court. The Trust is valued at approximately \$550,000 at June 30, 2015 and 2014 and is included in contributions receivable from remainder trusts and estates in the accompanying statements of financial position.

The Foundation is also the beneficiary of two estates and the proceeds are expected to be received in less than twelve months. The total value of the trust and estates at June 30, 2015 and 2014 is estimated to be \$2,811,686 and \$2,481,838, respectively.

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 2015 and 2014 was \$9,199 and \$7,992, respectively. Accumulated depreciation was \$100,953 and \$91,754 at June 30, 2015 and 2014, 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) 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. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2015. Fiscal years ending on or after June 30, 2012 remain subject to examination by federal and state authorities. The Foundation 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.

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Notes to Financial Statements

Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of interest-bearing transaction accounts, money market deposit accounts and educational loans receivable. The Foundation places its interest-bearing and money market accounts in high credit quality financial institutions. On June 30, 2015 and 2014, the Foundation had \$561,797 and \$1,081,050, respectively, in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Concentration of credit risk for educational loans receivable is limited to the large number of educational loans comprising the receivable balance.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 18, 2015, the date the financial statements were available to be issued.

3. Investments

Investment activity is reflected below:

	<u>2015</u>	<u>2014</u>
Investments - beginning	\$ 57,538,515	\$ 52,636,886
Investment returns:		
Dividends and interest	489,083	789,494
Net realized gains	2,369,551	1,909,875
Agency funds net realized gains	97,301	70,784
Net unrealized gains	(1,722,878)	4,042,157
Agency funds net unrealized gains	(71,323)	18,659
Investment expenses	(205,635)	(217,778)
Purchases	4,072,635	6,432,423
Sales	<u>(4,749,680)</u>	<u>(8,143,985)</u>
Investments - ending	<u>\$ 57,817,569</u>	<u>\$ 57,538,515</u>

4. Fair Value of Measurements

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- 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 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.

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.

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Notes to Financial Statements

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, 2015. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Stocks and mutual funds (Level 1): Valued at closing price reported on the active market on which the individual securities are traded.

Government and corporate bonds (Level 2): Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

Limited partnerships (Level 3): The Foundation uses the net asset value (NAV) or capital balances of its interest in the limited partnerships as a practical expedient to determine the fair value of its interest in the net assets of these entities. 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 fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. These 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 quarterly by these entities. Appreciation of investments in these entities is net of all fee allocations to the investment advisors.

Remainder trusts receivable (Level 3): 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%.

Educational loans receivable (Level 3): Valued at net realizable value 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.

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	2015			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large value	\$ 987,895	\$ -	\$ -	\$ 987,895
Large growth	646,598	-	-	646,598
Large blend	1,592,070	-	-	1,592,070
World allocation	1,996,766	-	-	1,996,766
Diversified emerging markets	4,503,711	-	-	4,503,711
Intermediate-term bond	4,269,569	-	-	4,269,569
World stock	8,023,734	-	-	8,023,734
International equity securities:				
Large value	2,632,099	-	-	2,632,099
Stocks:				
Energy	65,680	-	-	65,680
Materials	11,191	-	-	11,191
Industrials	668,698	-	-	668,698
Consumer discretionary	1,497,616	-	-	1,497,616
Consumer staple	273,893	-	-	273,893
Health care	675,153	-	-	675,153
Financials	355,485	-	-	355,485
Information technology	1,394,984	-	-	1,394,984
Telecommunication services	24,864	-	-	24,864
Exchange traded funds:				
Financials	124,175	-	-	124,175
Foreign common stock	369,537	-	-	369,537
Corporate bonds	-	93,301	-	93,301
Limited partnerships (a):				
Hedge funds	-	-	289,459	289,459
Multi-asset class (b)	-	-	14,819,963	14,819,963
Global bond	-	-	2,048,001	2,048,001
Private equities	-	-	2,251,996	2,251,996
Real assets	-	-	2,058,588	2,058,588
Total investments	<u>30,113,718</u>	<u>93,301</u>	<u>21,468,007</u>	<u>51,675,026</u>
Remainder trusts receivable	-	-	2,811,686	2,811,686
Educational loans receivable	-	-	254,149	254,149
Total receivables	<u>-</u>	<u>-</u>	<u>3,065,835</u>	<u>3,065,835</u>
	<u>\$ 30,113,718</u>	<u>\$ 93,301</u>	<u>\$ 24,533,842</u>	<u>\$ 54,740,861</u>

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2014:

	2014			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Large value	\$ 1,539,459	\$ -	\$ -	\$ 1,539,459
Large growth	1,681,454	-	-	1,681,454
World allocation	2,544,299	-	-	2,544,299
Diversified emerging markets	4,951,024	-	-	4,951,024
Intermediate-term bond	4,293,423	-	-	4,293,423
World stock	8,135,673	-	-	8,135,673
International equity securities:				
Large value	3,261,994	-	-	3,261,994
Large blend	193,878	-	-	193,878
Stocks:				
Energy	342,809	-	-	342,809
Materials	135,933	-	-	135,933
Industrials	1,009,470	-	-	1,009,470
Consumer discretionary	486,582	-	-	486,582
Consumer staple	179,290	-	-	179,290
Health care	176,921	-	-	176,921
Financials	157,083	-	-	157,083
Information technology	1,194,472	-	-	1,194,472
Exchange traded funds:				
Financials	115,950	-	-	115,950
Foreign common stock	794,051	-	-	794,051
Corporate bonds	-	15,108	-	15,108
Government bonds	-	76,608	-	76,608
Limited partnerships (a):				
Hedge funds	-	-	3,027,124	3,027,124
Multi-asset class (b)	-	-	11,246,530	11,246,530
Global bond	-	-	2,663,991	2,663,991
Private equities	-	-	2,634,951	2,634,951
Real assets	-	-	2,288,178	2,288,178
Total investments	<u>31,193,765</u>	<u>91,716</u>	<u>21,860,774</u>	<u>53,146,255</u>
Remainder trusts receivable	-	-	2,481,838	2,481,838
Educational loans receivable	-	-	478,000	478,000
Total receivables	<u>-</u>	<u>-</u>	<u>2,959,838</u>	<u>2,959,838</u>
	<u>\$ 31,193,765</u>	<u>\$ 91,716</u>	<u>\$ 24,820,612</u>	<u>\$ 56,106,093</u>

The Foundation has \$6,142,543 and \$4,392,260 of cash balances included in investments as of June 30, 2015 and 2014, respectively, which is not required to be classified into a Level as prescribed within the guidance.

- a) This class includes limited partnerships whose investment objectives seek to produce absolute and consistent risk-adjusted returns. For certain limited partnership investments, partners have the right to periodically withdraw amounts subject to certain restrictions.

Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley
Notes to Financial Statements

- b) Mangham Associates Endowment Partners (MAEP) is an investment vehicle managed by Mangham Associates that pools investments for small to mid-size endowments to allow for access to larger funds. The MAEP investment portfolio was allocated across the following asset classes at June 30:

	<u>2015</u>	<u>2014</u>
Global developed equity funds	57.3%	53.8%
Emerging markets equity funds	11.1%	11.1%
Hedged equity	28.9%	33.7%
Cash and cash equivalents	2.7%	1.5%
Redemptions receivable	0.1%	0.0%

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, 2015:

	<u>Investments</u>	<u>Receivables</u>
Balance at June 30, 2013	\$ 18,912,222	\$ 1,327,163
Net changes in fair value	1,182,206	-
Sales and purchases	1,766,346	-
Additional receivables	-	1,738,100
Payments on receivables	-	(198,909)
Recovery of bad debts	-	2,350
Provision for bad debts	-	91,134
Balance at June 30, 2014	<u>21,860,774</u>	<u>2,959,838</u>
Net changes in fair value	(415,688)	-
Sales and purchases	22,921	-
Additional receivables	-	329,848
Payments on receivables	-	(115,351)
Recovery of bad debts	-	6,069
Provision for bad debts	-	(114,569)
Balance at June 30, 2015	<u>\$ 21,468,007</u>	<u>\$ 3,065,835</u>

Unfunded Commitments

The Foundation's non-marketable alternative investments have unfunded commitments of \$1,223,256 as of June 30, 2015. Unfunded commitments are drawn down throughout the life of the investment based on the cash needs of each individual limited partnership. Limited partnerships with unfunded commitments have remaining lives of 2 to 11 years.

5. Educational Loans Receivable

The Foundation has educational loans receivable at June 30, 2015 and 2014 of \$254,149 and \$478,000, respectively. These loans consist of \$670,800 and \$884,576 in promissory notes net of an estimated uncollectible allowance of \$416,651 and \$406,576 at June 30, 2015 and 2014, respectively. These promissory notes are due from current and former students and have various interest rates and repayment terms and are collectible through 2023.

6. 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.

7. 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.

8. Agency Funds

In accordance with accounting principles generally accepted in the United States of America, 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 statements of activities.

9. Operating Leases

On April 10, 2010, the Foundation entered into a five year lease that commenced on January 1, 2012 and terminates on December 31, 2016.

The Foundation leases office space under an operating lease that expired May 31, 2013. In 2013, the Foundation amended the lease, altering the terms to begin June 1, 2013 and ending on June 30, 2016.

Total rental expense for these leases was \$85,210 and \$90,611 for 2015 and 2014, respectively.

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

2016	\$	88,374
2017		<u>38,621</u>
	\$	<u>126,995</u>

10. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2015 and 2014 were \$29,680 and \$29,245, respectively.

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