REPORT OF INDEPENDENT AUDITORS

Board of Governors
Foundation for Roanoke Valley, Inc.

Goodman & COMPANY

We have audited the accompanying statements of financial position of Foundation for Roanoke Valley, Inc. as of June 30, 2007 and 2006. These statements of financial position are the responsibility of the management of Foundation for Roanoke Valley, Inc. Our responsibility is to express an opinion on these statements of financial position 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements of financial position referred to above present fairly, in all material respects, the financial position of Foundation for Roanoke Valley, Inc. as of June 30, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

Roanoke, Virginia
November 7, 2007

Goodman & Company, L.L.P.

FOUNDATION FOR ROANOKE VALLEY, INC.
STATEMENTS OF FINANCIAL POSITION

June 30,	2007	2006
ASSETS		
Cash and cash equivalents	$ 618,836	$ 846,463
Prepaid expenses	4,457	6,028
Investments	35,404,700	27,316,557
Notes receivable	24,111	126,214
Contributions receivable from remainder trusts and estates	729,297	914,815
Pledges receivable - net	6,373,914	5,114,028
Property and equipment - net	15,929	17,045
Total assets	**$ 43,171,244**	**$ 34,341,150**
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 4,500	$ 282,219
Accounts payable	12,161	6,749
Annuity obligations	226,278	200,158
Agency funds	2,099,997	1,697,047
Total liabilities	2,342,936	2,186,173
Net assets		
Unrestricted		
Undesignated	8,146,971	4,277,978
Field of interest	12,894,613	11,208,956
Designated	2,877,747	2,511,149
Advised	9,614,703	7,894,375
	33,534,034	25,892,458
Temporarily restricted	7,294,274	6,262,519
Total net assets	40,828,308	32,154,977
Total liabilities and net assets	**$ 43,171,244**	**$ 34,341,150**

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

Foundation for Roanoke Valley, Inc.
Notes to Statements of Financial Position
June 30, 2007 and 2006

1. ORGANIZATION AND NATURE OF ACTIVITIES

Foundation for Roanoke Valley, Inc. (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The statements of financial position 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 therefrom 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 lead and remainder trusts and notes receivable, 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 endowment funds within the classification of unrestricted net assets:

1. **Undesignated endowment 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 Roanoke Valley. Earnings from these funds are classified as unrestricted.
2. **Field of interest funds** enables 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.

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 (market 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, 2007 and 2006, 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 three months or less to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value on the statement of financial position with unrealized gains and losses included in the change in net assets.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair market value at dates 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 material property and equipment. Accumulated depreciation totaled $31,148 and $24,284 at June 30, 2007 and 2006, 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. Noncash in-kind contributions are valued at the estimated fair market 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 also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates that were used.

Income Taxes

The Foundation is a not-for-profit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not categorized as a private foundation. It has no unrelated business income subject to federal income tax under Section 511 of the Internal Revenue Code.

Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and short-term investments. The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation's short-term investments consist of money market funds. These investments are high quality, and management believes the Foundation is not exposed to any significant credit risk on temporary cash investments and short-term investments.

At June 30, 2007 and 2006, the Foundation had $518,836 and $746,463 respectively deposited at one bank in excess of the $100,000 federally insured limit.

Contributions Receivable from Remainder Trusts and Estates

The Foundation is the beneficiary of five 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 3.6 % discount rate, the present value of future benefits expected to be received by the Foundation from these agreements at June 30, 2007 and 2006 was estimated to be $729,297 and $914,815, respectively.

At June 30, 2007, one trust made up approximately 70% of the benefit the Foundation expects to receive. At June 30, 2006, two trusts made up 78% of the benefit the Foundation expects to receive.

3. Investments

Investments are stated at fair value. Donated investments are recorded at their fair value at the date of contribution. Increases and decreases in fair value are recognized in the period in which they occur, and the carrying value of the investments is adjusted to reflect these market fluctuations. Investment income is allocated to all pooled funds on a quarterly basis using the average balance in each fund during the quarter. Investments as of June 30 are as follows:

	2007	2006
Money market funds	$ 5,326,877	$ 2,731,656
Debt and equity securities	30,077,823	24,584,901
	$ 35,404,700	$ 27,316,557

4. NOTES RECEIVABLE

The Foundation is the beneficiary of two notes receivable from donors.

One note is dated January 1, 2002 for the principal sum of $324,930, with interest accruing at the Wall Street Journal prime rate adjusted quarterly (8.25% and 7.75% at December 31, 2006 and June 30, 2006, respectively) was paid in full. This note calls for quarterly principal and interest installments of $15,268 beginning April 1, 2002, with a final installment, including any unpaid principal and interest, paid in January, 2007. The principal amount receivable on this note was $0 and $99,143 at June 30, 2007 and 2006, respectively.

The other note is dated July 8, 1993 for the principal sum of $50,000 with interest accruing at 8.0%. This note calls for monthly principal and interest payments of $418 beginning August 8, 1993 continuing until July 8, 2013. The principal amount receivable on this note was $24,111 and $27,070 at June 30, 2007 and 2006, respectively.

5. PLEDGES RECEIVABLE

The Foundation has the following pledges receivable outstanding at June 30:

	2007	2006
Mrs. Willie Z. Camp Estate	$ 3,315,156	$ –
Joel C. Hall and Elizabeth L. Hall Education Trust	978,000	–
Hermes Family Foundation	300,000	350,000
Harvest Foundation	15,000	–
The Capital Group Companies Charitable Foundation	5,100	–
Educational loans – net	1,760,658	2,348,328
Educational loan trusts	–	2,415,700
	$ 6,373,914	$ 5,114,028

The Foundation has pledges receivable from education loans of $1,760,658 and $2,348,328 at June 30, 2007 and 2006, respectively. These pledges consist of promissory notes of $2,210,473 and $2,436,798 at June 30, 2007 and 2006, respectively, net of an uncollectible allowance of $449,815 and $88,470 at June 30, 2007 and 2006, respectively. These promissory notes are due from current and former students and have various interest rates and repayment terms which are collectible through 2016.

6. 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. Upon the donor's death, the remaining principal and income are distributed to a charitable organization. The present value of this future benefit was recorded as temporarily restricted income, and a liability in the amount of the present value of future benefits to be distributed to the donor was recorded.

7. GRANTS PAYABLE

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

8. AGENCY FUNDS

The Foundation has adopted SFAS No. 136, Transfers of Assets to a Not-For-Profit Organization that Raises or Holds Contributions for Others. This statement establishes standards for transactions in which a community foundation accepts contributions from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. SFAS 136 specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The organization maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the organization. The Foundation refers to such funds as agency funds.