

Financial Statements
Year Ended
June 30, 2008

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

Goodman

& COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

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

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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 statement of financial position of *Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley* as of June 30, 2008, 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.

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 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 audit provides a reasonable basis for our 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, 2008, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Goodman + Company, L.L.P.

Roanoke, Virginia

October 10, 2008

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An independent firm associated with
MOORE STEPHENS
INTERNATIONAL, LLP

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

Statement of Financial Position

June 30, 2008

Assets

Assets

Cash and cash equivalents	\$ 1,898,199
Prepaid expenses	5,535
Investments	36,617,231
Notes receivable	20,905
Contributions receivable from remainder trusts and estates	767,270
Pledges receivable	3,723,450
Educational loans receivable - net	1,466,214
Property and equipment - net	25,200
	<hr/>
	\$ 44,524,004

Liabilities and Net Assets

Liabilities

Grants payable	\$ 24,000
Accounts payable	7,510
Annuity obligations	255,368
Agency funds	2,395,200
	<hr/>
Total liabilities	2,682,078

Net assets

Unrestricted	
Undesignated	8,987,983
Field of interest	13,819,474
Designated	2,876,920
Advised	10,039,183
	<hr/>
	35,723,560
Temporarily restricted	6,118,366
	<hr/>
Total net assets	41,841,926
	<hr/>
	\$ 44,524,004

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, 2008

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions	\$ 3,823,044	\$ 1,456,645	\$ 5,279,689
In-kind contributions	878	-	878
Interest and dividend income	879,785	8,594	888,379
Administrative fees	407,215	-	407,215
Net unrealized and realized loss on investments	(2,449,203)	(27,026)	(2,476,229)
Change in split interest agreements	-	8,884	8,884
Net assets released from donor restrictions	2,623,005	(2,623,005)	-
Total support and revenues	5,284,724	(1,175,908)	4,108,816
Expenses			
Program services	2,614,265	-	2,614,265
Trustee fees	109,386	-	109,386
Fundraising	70,244	-	70,244
General and administrative	301,303	-	301,303
Total expenses	3,095,198	-	3,095,198
Change in net assets	2,189,526	(1,175,908)	1,013,618
Net assets - beginning of year	33,534,034	7,294,274	40,828,308
Net assets - end of year	\$ 35,723,560	\$ 6,118,366	\$ 41,841,926

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 Cash Flows

Year Ended June 30, 2008

Cash flows from operating activities	
Change in net assets	\$ 1,013,618
Adjustments to reconcile to net cash from operating activities:	
Provision for bad debts	88,438
Depreciation expense	5,600
Net unrealized and realized loss on investments	2,476,229
Noncash contributions	(1,953,966)
Change in:	
Prepaid expenses	(1,078)
Contributions receivable from remainder trusts and estates	(37,973)
Pledges receivable	889,806
Educational loans receivable	206,006
Grants payable	19,500
Accounts payable	(4,651)
Annuity obligations	29,090
Agency funds	295,203
Net cash from operating activities	<u>3,025,822</u>
Cash flows from investing activities	
Net purchases of investments	(1,734,794)
Purchases of property and equipment	(14,871)
Payments received on notes receivable	3,206
Net cash from investing activities	<u>(1,746,459)</u>
Net change in cash and cash equivalents	1,279,363
Cash and cash equivalents - beginning of year	<u>618,836</u>
Cash and cash equivalents - end of year	<u>\$ 1,898,199</u>
Supplemental disclosure of noncash investing and financing activities	
Contributions of marketable securities	\$ 1,953,966

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, 2008

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 there from 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 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.

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, 2008, 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 on the statement of activities.

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 material property and equipment. Depreciation expense for 2008 was \$5,600. Accumulated depreciation was \$36,706 at June 30, 2008.

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 value of the asset donated. During 2008, the Foundation received in-kind contributions of \$878 for the printing of the annual report.

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 the estimates and assumptions that were used.

Income Taxes

The Foundation is a not-for-profit corporation exempt from federal and state 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 or state 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 the federally insured limit. 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, 2008, the Foundation's bank balances were in excess of the FDIC insurance limit by \$1,952,306.

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 3.8% discount rate, the present value of future benefits expected to be received by the Foundation from these agreements at June 30, 2008 is estimated to be \$767,270.

At June 30, 2008, one trust made up approximately 71% 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. Investment categories are as follows:

Cash and cash equivalents	\$ 4,469,362
Debt and equity securities	<u>32,147,869</u>
	<u>\$ 36,617,231</u>

4. Notes Receivable

The Foundation is the beneficiary of a note receivable from a donor. The 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 \$20,905 at June 30, 2008.

5. Pledges Receivable

The Foundation has the following pledges receivable outstanding:

Mrs. Willie E. Camp Estate	\$ 2,326,068
Jean L. Price Trust	750,000
Godwin Cottage Trust	545,645
Sarah Synder Laughon Trust	100,000
Joel C. Hall and Elizabeth L. Hall Education Trust	1,737
	<hr/>
	\$ 3,723,450
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6. Educational Loans Receivable

The Foundation has educational loans receivable of \$1,466,214 consisting of \$1,973,439 in promissory notes net of an estimated uncollectible allowance of \$507,225. These promissory notes are due from current and former students and have various interest rates and repayment terms and are collectible through 2016.

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. Upon the donor's death, the remaining principal and income are held as an endowment for specified charitable organizations. 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.

8. 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.

9. 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.

10. Operating Leases

The Foundation leases office space under a five-year lease that commenced in March 2006. After the term of the lease, the Foundation will become a month-to-month tenant with a monthly rental rate of twice the rental rate just prior to the lease’s termination.

The Foundation leases office space under a one-year operating lease that commenced on November 15, 2007. After the term of the lease, the Foundation has the option to renew for one additional year with the annual rent increasing with the cost-of-living adjustment.

The Foundation leases office space under a one-year operating lease that commenced on November 9, 2007.

Total rental expense for these leases was \$39,886 for 2008.

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

2009	\$ 43,232
2010	41,420
2011	42,663
2012	<u>29,005</u>
	<u>\$ 156,320</u>

11. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2008 were \$13,067.

12. Impact of Subsequent Stock Market Declines (Unaudited)

Subsequent to June 30, 2008, significant declines in fair value occurred in worldwide securities markets. As of September 30, 2008, the fair value of debt and equity securities owned by the Foundation declined by approximately \$3.2 million, or 8.7%, from \$36.6 million as of June 30, 2008. Fair value estimates for securities are currently 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.

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