

*Financial Statements  
Years Ended  
June 30, 2014 and 2013*

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

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

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## ***Independent Auditors' Report***

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

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, 2014 and 2013, 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.

### ***Auditor's 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 auditor's 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, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Roanoke, Virginia  
January 29, 2015

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

*Statements of Financial Position*

<b>June 30,</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 1,540,505	\$ 1,387,459
Investments	57,538,515	52,636,886
Contributions receivable from remainder trusts and estates	2,481,838	743,738
Educational loans receivable - net	478,000	584,100
Prepaid expenses	18,204	18,011
Property and equipment - net	22,731	28,951
	<u>\$ 62,079,793</u>	<u>\$ 55,399,145</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Grants payable	\$ 76,750	\$ 154,127
Accounts payable and accrued liabilities	24,283	4,087
Annuity obligations	243,223	261,778
Agency funds	2,291,259	2,363,069
<b>Total liabilities</b>	<u>2,635,515</u>	<u>2,783,061</u>
<b>Net assets</b>		
Unrestricted		
Undesignated	6,195,944	5,482,951
Field of interest	20,629,062	19,052,894
Designated	4,601,767	4,321,524
Advised	12,086,434	10,635,424
Scholarship	12,873,293	11,706,310
	<u>56,386,500</u>	<u>51,199,103</u>
Temporarily restricted	<u>3,057,778</u>	<u>1,416,981</u>
<b>Total net assets</b>	<u>59,444,278</u>	<u>52,616,084</u>
	<u>\$ 62,079,793</u>	<u>\$ 55,399,145</u>

*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, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenues</b>			
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)	-
<b>Total support and revenues</b>	<b>9,482,717</b>	<b>1,640,797</b>	<b>11,123,514</b>
<b>Expenses</b>			
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
<b>Total expenses</b>	<b>4,295,320</b>	<b>-</b>	<b>4,295,320</b>
<b>Change in net assets</b>	<b>5,187,397</b>	<b>1,640,797</b>	<b>6,828,194</b>
<b>Net assets - beginning of year</b>	<b>51,199,103</b>	<b>1,416,981</b>	<b>52,616,084</b>
<b>Net assets - end of year</b>	<b>\$ 56,386,500</b>	<b>\$ 3,057,778</b>	<b>\$ 59,444,278</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, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions	\$ 4,385,316	\$ 100,000	\$ 4,485,316
Interest and dividend income	707,532	3,423	710,955
Administrative fees	677,256	-	677,256
Unrealized gains on investments	2,266,239	12,856	2,279,095
Realized gains on investments	1,535,504	7,624	1,543,128
Miscellaneous revenue	4,522	-	4,522
Change in contributions receivable from remainder trusts	-	40,232	40,232
Change in annuity obligations	-	(36,092)	(36,092)
Net assets released from donor restrictions	18,282	(18,282)	-
<b>Total support and revenues</b>	<b>9,594,651</b>	<b>109,761</b>	<b>9,704,412</b>
<b>Expenses</b>			
Program services and grant making	2,735,777	-	2,735,777
General and administrative	862,076	-	862,076
Investment management fees	184,660	-	184,660
Fundraising	107,160	-	107,160
<b>Total expenses</b>	<b>3,889,673</b>	<b>-</b>	<b>3,889,673</b>
<b>Change in net assets</b>	<b>5,704,978</b>	<b>109,761</b>	<b>5,814,739</b>
<b>Net assets - beginning of year</b>	<b>45,494,125</b>	<b>1,307,220</b>	<b>46,801,345</b>
<b>Net assets - end of year</b>	<b>\$ 51,199,103</b>	<b>\$ 1,416,981</b>	<b>\$ 52,616,084</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>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,828,194	\$ 5,814,739
Adjustments to reconcile to net cash from operating activities:		
Provision for (recovery of) bad debts	(91,134)	24,808
Depreciation expense	7,992	14,670
Unrealized gains on investments	(4,042,157)	(2,279,095)
Realized gains on investments	(1,909,875)	(1,543,128)
Change in:		
Contributions receivable from remainder trusts and estates	(1,738,100)	(40,232)
Educational loans receivable	197,234	(42,152)
Prepaid expenses	(193)	(2,422)
Grants payable	(77,377)	(47,973)
Accounts payable and accrued liabilities	20,196	(3,506)
Annuity obligations	(18,555)	36,093
Agency funds	(71,810)	224,499
<b>Net cash from operating activities</b>	<b>(895,585)</b>	<b>2,156,301</b>
<b>Cash flows from investing activities</b>		
Net purchases (sales) of investments	1,050,403	(2,331,763)
Purchases of property and equipment	(1,772)	(5,150)
<b>Net cash from investing activities</b>	<b>1,048,631</b>	<b>(2,336,913)</b>
<b>Net change in cash and cash equivalents</b>	<b>153,046</b>	<b>(180,612)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,387,459</b>	<b>1,568,071</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,540,505</b>	<b>\$ 1,387,459</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*

## *Notes to Financial Statements*

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**June 30, 2014 and 2013**

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### **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, 2014 and 2013, 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.

### **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 the current 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. The Trust is valued at approximately \$550,000 at June 30, 2014 and 2013 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, 2014 and 2013 is estimated to be \$2,481,838 and \$743,738, respectively.

### **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 2014 and 2013 was \$7,992 and \$14,670, respectively. Accumulated depreciation was \$91,754 and \$83,762 at June 30, 2014 and 2013, 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, 2014. Fiscal years ending on or after June 30, 2011 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, 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, 2014 and 2013, the Foundation had \$1,081,050 and \$1,037,447, 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 January 29, 2015, the date the financial statements were available to be issued.

### 3. Investments

Investment activity is reflected below:

	<u>2014</u>	<u>2013</u>
Investments - beginning	\$ 52,636,886	\$ 46,482,900
Investment returns:		
Dividends and interest	789,494	731,512
Net realized gains	1,909,875	1,543,128
Agency funds net realized gains	70,784	73,396
Net unrealized gains	4,042,157	2,279,095
Agency funds net unrealized gains	18,659	118,513
Investment expenses	(928,640)	(861,548)
Purchases and sales	(1,000,700)	2,269,890
Investments - ending	<u>\$ 57,538,515</u>	<u>\$ 52,636,886</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 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, 2014. 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.

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

	Level 1	Level 2	Level 3	Total
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	-	-	14,273,654	18,276,615
Global bond	-	-	2,663,991	2,663,991
Private equities	-	-	2,634,951	705,479
Real assets	-	-	2,288,178	214,689
Total investments	\$ 31,193,765	\$ 91,716	\$ 21,860,774	\$ 53,146,255
Remainder trusts receivable	-	-	2,481,838	2,481,838
Educational loans receivable	-	-	478,000	478,000
Total receivables	-	-	2,959,838	2,959,838
	\$ 31,193,765	\$ 91,716	\$ 24,820,612	\$ 56,106,093

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large growth	\$ 2,697,108	\$ -	\$ -	\$ 2,697,108
World allocation	4,690,445	-	-	4,690,445
Diversified emerging markets	6,543,904	-	-	6,543,904
Intermediate-term bond	3,614,735	-	-	3,614,735
World stock	5,001,833	-	-	5,001,833
International equity securities:				
Large value	2,916,259	-	-	2,916,259
Large blend	627,181	-	-	627,181
Stocks:				
Energy	362,426	-	-	362,426
Materials	181,386	-	-	181,386
Industrials	633,502	-	-	633,502
Consumer discretionary	841,454	-	-	841,454
Consumer staple	231,583	-	-	231,583
Health care	260,982	-	-	260,982
Financials	354,016	-	-	354,016
Information technology	591,018	-	-	591,018
Exchange traded funds:				
Real estate	68,720	-	-	68,720
Financials	99,775	-	-	99,775
Foreign common stock	239,470	-	-	239,470
Corporate bonds	-	194,329	-	194,329
Government bonds	-	140,310	-	140,310
Limited partnerships (a)				
Hedge funds	-	-	10,976,844	10,976,844
Global bond	-	-	2,907,380	2,907,380
Private equities	-	-	2,926,145	2,926,145
Real assets	-	-	2,101,853	2,101,853
Total investments	\$ 29,955,797	\$ 334,639	\$ 18,912,222	\$ 49,202,658
Remainder trusts receivable	-	-	743,738	743,738
Educational loans receivable	-	-	583,425	583,425
Total receivables	-	-	1,327,163	1,327,163
	\$ 29,955,797	\$ 334,639	\$ 20,239,385	\$ 50,529,821

The Foundation has \$4,392,260 and \$3,434,903 of cash balances included in investments as of June 30, 2014 and 2013, 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.

### 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, 2014:

	Investments	Receivables
Balance at June 30, 2012	\$ 12,894,777	\$ 1,270,262
Net changes in fair value	4,016,879	-
Sales and purchases	2,000,566	-
Additional receivables	-	40,233
Payments on receivables	-	(221,138)
Recovery of bad debts	-	262,614
Provision for bad debts	-	(24,808)
Balance at June 30, 2013	\$ 18,912,222	\$ 1,327,163
Net changes in fair value	1,287,109	-
Sales and purchases	1,661,443	-
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	\$ 21,860,774	\$ 2,959,838

### Unfunded Commitments

The Foundation's non-marketable alternative investments have unfunded commitments of \$1,574,176 as of June 30, 2014. 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 3 to 12 years.

### 5. Educational Loans Receivable

The Foundation has educational loans receivable at June 30, 2014 and 2013 of \$478,000 and \$584,100, respectively. These loans consist of \$884,576 and \$1,321,189 in promissory notes net of an estimated uncollectible allowance of \$406,576 and \$737,089 at June 30, 2014 and 2013, respectively. These promissory notes are due from current and former students and have various interest rates and repayment terms and are collectible through 2018.

### 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 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.

## 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 \$90,611 and \$80,657 for 2014 and 2013, respectively.

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

2015	\$	85,917
2016		88,374
2017		<u>38,621</u>
	\$	<u>212,912</u>

## 10. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2014 and 2013 were \$29,245 and \$28,275, respectively.

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