Financial Statements
Year Ended
June 30, 2010

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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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, 2010, 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, 2010, 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
September 24, 2010

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

Statement of Financial Position

June 30, 2010

Assets

Assets	
Cash and cash equivalents	$ 1,194,671
Investments	35,891,038
Contributions receivable from remainder trusts and estates	627,608
Pledges receivable	1,108,750
Educational loans receivable - net	912,094
Prepaid expenses	6,792
Property and equipment - net	24,390
	$ 39,765,343

Liabilities and Net Assets

Liabilities	
Grants payable	$ 11,000
Accounts payable	3,183
Annuity obligations	269,639
Agency funds	2,199,996
Total liabilities	2,483,818
Net assets	
Unrestricted	
Undesignated	3,271,281
Field of interest	13,503,446
Designated	3,116,670
Advised	8,752,735
Scholarship	5,908,184
	34,552,316
Temporarily restricted	2,729,209
Total net assets	37,281,525
	$ 39,765,343

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

Statement of Activities

Year Ended June 30, 2010

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

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

Statement of Cash Flows

Year Ended June 30, 2010

Cash flows from operating activities	
Change in net assets	$ 2,083,668
Adjustments to reconcile to net cash from operating activities:	
Provision for bad debts	68,750
Depreciation expense	8,378
Unrealized gains on investments	(2,442,057)
Realized losses on investments	8,280
Noncash contributions	(414,131)
Change in:	
Contributions receivable from remainder trusts and estates	(113,347)
Pledges receivable	(148,750)
Educational loans receivable	202,055
Prepaid expenses	(1,612)
Grants payable	(8,074)
Accounts payable	323
Annuity obligations	15,455
Agency funds	143,113
Net cash from operating activities	(597,949)
Cash flows from investing activities	
Net purchases of investments	(662,594)
Purchases of property and equipment	(13,989)
Net cash from investing activities	(676,583)
Net change in cash and cash equivalents	(1,274,532)
Cash and cash equivalents - beginning of year	2,469,203
Cash and cash equivalents - end of year	$ 1,194,671
Supplemental disclosure of noncash investing and financing activities	
Contributions of marketable securities	$ 414,131

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

June 30, 2010

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Net Assets

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

The Foundation receives contributions from donors with stipulations regarding distributions of the assets and the earnings from the assets, but maintains a variance power over these contributions. While the Foundation attempts to meet the desires expressed by the donors at the time of the contributions, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Foundation's Board of Governors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify all net assets as unrestricted, with the exception of assets related to charitable 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 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, 2010, the Foundation had no permanently restricted net assets.

Cash and Cash Equivalents

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

Investments

Investments in 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.

Contributions Receivable from Remainder Trusts and Estates

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

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

Pledges Receivable

Pledges receivable are unconditional promises to give and, depending on the existence and/or nature of any donor restrictions, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues when the donor's commitment is received. The Foundation's management has determined that all pledges receivable are fully 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 2010 was $8,378 and accumulated depreciation was $50,495 at June 30, 2010.

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 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 (IRC) 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 IRC.

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, 2010, the Foundation's bank balances were in excess of the FDIC insurance limit by $433,701.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 24, 2010, the date the financial statements were available to be issued.

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 activity is reflected below:

	2010
Investments - beginning	$ 32,380,536
Investment returns:	
Dividends and interest	584,206
Net realized loss	(8,280)
Agency funds net realized gain	753
Net unrealized gain	2,442,057
Investment expenses	(573,776)
Purchases and sales	1,065,542
Investments - ending	$ 35,891,038

4. Fair Value of Measurements

As of June 30, 2010, the Foundation adopted accountings standards which established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

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

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

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

Hedge funds, private equities and real assets: Valued based on valuations performed by external investment managers.

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, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,988,920	$ -	$ -	$ 1,988,920
Stocks	14,877,573	-	-	14,877,573
Bond index funds	-	7,176,627	-	7,176,627
Corporate bonds	42,068	-	-	42,068
Government bonds	-	589,451	-	589,451
Balanced funds	284,249	88,827	71,062	444,138
Hedge funds	-	-	7,286,092	7,286,092
Private equities	-	-	2,126,563	2,126,563
Real assets	-	-	1,359,606	1,359,606
	$ 17,192,810	$ 7,854,905	$ 10,843,323	$ 35,891,038

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, 2010:

Balance - beginning of year	$ 9,260,773
Net changes in fair value	1,511,488
Purchases	71,062
Balance – end of year	$ 10,843,323

5. Pledges Receivable

The Foundation has the following pledges receivable outstanding:

Jean L. Price Trust	$	358,750
Margo Lange Brown Trust		750,000
	$	1,108,750

6. Educational Loans Receivable

The Foundation has educational loans receivable of $912,094 consisting of $1,504,714 in promissory notes net of an estimated uncollectible allowance of $592,620. 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. 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. 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

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

10. Operating Leases

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

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

Total rental expense for these leases was $46,602 for 2010.

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

2011	$	53,708
2012		74,869
2013		80,245
2014		71,747
2015		73,900
2016-2017		114,737
	$	469,206

11. Retirement Plan

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

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