



CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2011

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statement of financial position	2
Consolidated statement of activities and changes in net assets	3
Consolidated statement of cash flows	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	5 - 16

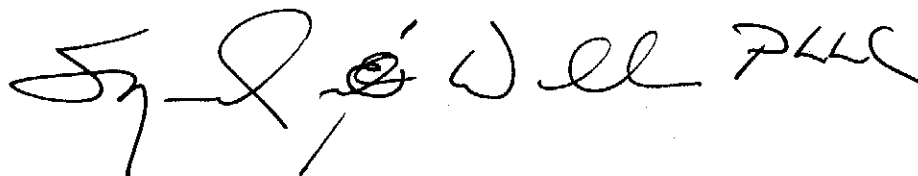
INDEPENDENT AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

To The Board of Directors
The Community Foundation of the Dan River Region
Danville, Virginia

We have audited the accompanying consolidated statements of financial position of **The Community Foundation of the Dan River Region** (a not-for-profit **Foundation**) as of 30 June 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the **Foundation's** management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the **Foundation's** 2010 financial statements and, in our report dated 20 September 2010, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **The Community Foundation of the Dan River Region** as of 30 June 2011 and the changes 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.



24 August 2011
Danville, Virginia

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 1,160,756	\$ 1,103,744
Collectibles	51,000	-
Dividends and interest receivable	6,247	20,975
Grants receivable - current	<u>400,000</u>	<u>-</u>
Total Current Assets	1,618,003	1,124,719
Investments - Note B	21,881,119	17,144,364
Property and equipment, net of accumulated depreciation and amortization - Note D	1,053,850	1,107,752
Grants receivable - noncurrent	250,000	-
Insurance legacies	<u>99,438</u>	<u>95,580</u>
Total Assets	<u>\$24,902,410</u>	<u>\$19,472,415</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 44,194	\$ -
Deferred support - current	400,000	-
Grants payable	<u>-</u>	<u>81,969</u>
Total Current Liabilities	444,194	81,969
Long-Term Liabilities		
Deferred support - noncurrent	<u>250,000</u>	<u>-</u>
Total Liabilities	<u>694,194</u>	<u>81,969</u>
Net Assets		
Temporarily restricted	813,326	722,779
Unrestricted		
Donor advisory endowment funds - Note H	10,684,965	9,233,739
Donor designated endowment funds - Note H	11,743,464	8,751,493
Board designated endowment funds - Note H	718,334	407,435
Undesignated	<u>248,127</u>	<u>275,000</u>
Total Net Assets	<u>24,208,216</u>	<u>19,390,446</u>
Total Liabilities and Net Assets	<u>\$24,902,410</u>	<u>\$19,472,415</u>

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

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION
CONSOLIDATED STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS
For The Year Ended 30 June 2011
(With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Totals	
			2011	2010
Revenues, Gains, Losses, and Other Support				
Contributions and grants	\$ 686,928	\$ 1,818,917	\$ 2,505,845	\$ 2,550,570
Rental revenues in-kind	302,600	-	302,600	302,600
Other gifts in-kind	-	-	-	14,172
Income on investments	166,195	-	166,195	213,258
Other income	16,553	-	16,553	23,855
Net realized and unrealized gains (losses) on investments	<u>3,485,204</u>	<u>-</u>	<u>3,485,204</u>	<u>912,979</u>
	<u>4,657,480</u>	<u>1,818,917</u>	<u>6,476,397</u>	<u>4,017,434</u>
Net Assets Released from Restrictions				
Satisfaction of program restrictions	<u>1,728,370</u>	<u>(1,728,370)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, Losses, and Other Support	<u>6,385,850</u>	<u>90,547</u>	<u>6,476,397</u>	<u>4,017,434</u>
Expenses				
Program expenses				
Community grants	829,300	-	829,300	1,210,606
Workforce collaborative	149,895	-	149,895	330,927
Program related expense	<u>443,499</u>	<u>-</u>	<u>443,499</u>	<u>428,910</u>
Total Program Expenses	<u>1,422,694</u>	<u>-</u>	<u>1,422,694</u>	<u>1,970,443</u>
Support services expenses				
Management and general	195,388	-	195,388	199,525
Fundraising	<u>40,545</u>	<u>-</u>	<u>40,545</u>	<u>42,918</u>
Total Support Expenses	<u>235,933</u>	<u>-</u>	<u>235,933</u>	<u>242,443</u>
Total Expenses	<u>1,658,627</u>	<u>-</u>	<u>1,658,627</u>	<u>2,212,886</u>
Changes in Net Assets	4,727,223	90,547	4,817,770	1,804,548
Net Assets - Beginning of Year	<u>18,667,667</u>	<u>722,779</u>	<u>19,390,446</u>	<u>17,585,898</u>
Net Assets - End of Year	<u>\$ 23,394,890</u>	<u>\$ 813,326</u>	<u>\$ 24,208,216</u>	<u>\$19,390,446</u>

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

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended 30 June 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 4,817,770	\$ 1,804,548
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	53,902	57,330
Net realized and unrealized (gains) on investments	(3,485,204)	(912,978)
Net noncash (in-kind) activities	-	(14,172)
Changes in		
Collectibles	(51,000)	-
Dividends and interest receivable	14,728	2,810
Grants receivable	(650,000)	-
Insurance legacies	(3,858)	(4,172)
Accounts payable	44,194	-
Grants payable	(81,969)	(144,542)
Deferred support	650,000	-
Net Cash Provided by Operating Activities	1,308,563	788,824
Cash (Uses) from Investing Activities:		
Proceeds from the sale of real estate	-	125,000
Purchase of equipment	-	(5,859)
Proceeds from the sale and maturities of investments	3,180,899	3,689,822
Purchase of investments	(4,432,450)	(5,643,661)
Net Cash (Used) by Investing Activities	(1,251,551)	(1,834,698)
Net Increase (Decrease) in Cash and Cash Equivalents	57,012	(1,045,874)
Cash and Cash Equivalents - Beginning of Year	1,103,744	2,149,618
Cash and Cash Equivalents - End of Year	\$ 1,160,756	\$ 1,103,744
Supplemental Disclosures Noncash (In-Kind)		
Operating Activities		
In-kind contributions		
Equipment	\$ -	\$ 14,172
Rental income	302,600	302,600
Program expense	(302,600)	(302,600)
Net Noncash (In-Kind) Operating Activities	\$ -	\$ 14,172

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

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies

Nature of Activities

The **Community Foundation of the Dan River Region** (the **Foundation**) was organized and incorporated under the laws of the Commonwealth of Virginia as a not-for-profit organization in September 1996. The **Foundation** is a not-for-profit, nonstock, tax-exempt public charity organized for the purpose of financial resources for social, educational, cultural, and other charitable benefits of the communities of Danville, Pittsylvania County, Halifax County, and Henry County, Virginia, and Caswell County, North Carolina.

Basis of Presentation

The consolidated financial statements include the accounts of the **Foundation** and those of its supporting organization, Community Foundation Properties, LLC (CFP). CFP is a corporation organized for the purpose of acquiring, accepting, holding and managing gifts of real property, interests in real property and other gifts for the sole benefit of the **Foundation**. The **Foundation** is the sole corporate member of CFP. Net assets of CFP at 30 June 2011 and 2010 totaled \$766,044 and \$800,948 respectively. Interorganizational transactions and balances have been eliminated.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

As a not-for-profit organization 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. However, governing instruments of the **Foundation** as well as certain donor agreements provide for the exercise of a variance power by the **Foundation** allowing the Board of Directors, at its discretion, to modify any restriction placed on contributions by donors if such restrictions become unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community.

It is the intent of the **Foundation's** Board of Directors to honor restrictions placed on contributions by donors. However, endowed funds are intended to be maintained in perpetuity and, over time it is inevitable that instances of changes, that cannot be presently contemplated, will occur to the extent that they make following donor stipulations unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Therefore the Board of Directors' variance power is imperative to operations and, because of the power to do otherwise

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (Continued)

as described above, net assets have been classified in these consolidated financial statements as unrestricted unless the Board of Directors' variance power does not apply.

Unrestricted Net Assets - Consist of assets, net of liabilities, related to the **Foundation's** regular activities, which are available at the discretion of the **Foundation's** Board of Directors. Unrestricted amounts that are available for use in carrying out the mission of the **Foundation** consist of expendable resources, including funds designated for special use by the **Foundation's** Board of Directors and funds subject to the variance power established by the **Foundation's** governing documents, and unexpendable resources invested in land, buildings, and equipment. The earnings of unrestricted net assets are to be used for operations.

The several types of endowment funds within the classification of unrestricted net assets are as follows:

Donor Advisory Endowment Funds - Represent funds contributed by donors to benefit specific charitable areas of interest for which a committee designated by the donor may make periodic recommendations as to grants from the fund. Recommendations are subject to the **Foundation's** variance power therefore earnings from these funds are classified as unrestricted.

Donor Designated Endowment Funds - Represent funds contributed by donors to benefit specific charitable or educational areas of interest. The Board of Directors awards grants within the areas specified by the donors subject to the **Foundation's** variance power.

Undesignated Endowment Funds - Represent funds for which the only restriction imposed by the donor is that the principal amount be preserved and the earnings from these funds be expended at the discretion of the Board of Directors.

Board Designated Endowment Funds - The **Foundation's** Board of Directors may designate an otherwise unrestricted amount as an endowment fund whereby the contribution would remain intact and earnings set aside for a specific use determined by the Board of Directors. Since the restriction is not from an external donor and subject to change by future Board of Directors, these funds and their earnings are classified as unrestricted.

Temporarily Restricted Net Assets - Represent those amounts not subject to the **Foundation's** variance power which are donor restricted for specific purposes. A donor's

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (Continued)

restriction is met when a stipulated time restriction ends or a special purpose is accomplished. Temporarily restricted net assets are transferred to unrestricted net assets as the net assets are released from restrictions. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily restricted net assets. Temporarily restricted net assets at 30 June 2011 and 2010 amounted to \$813,326 and \$722,779 respectively.

Permanently Restricted Net Assets - Represent those amounts not subject to the **Foundation's** variance power, which are subject to donor-imposed stipulations that they be maintained permanently by the **Foundation**. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions. As of 30 June 2011 and 2010, the **Foundation** did not hold any permanently restricted net assets.

Expiration of Donor - Imposed Restrictions

The expiration of donor - imposed restriction(s) of a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unrestricted Bequests

The **Foundation** follows the policy of designating all unrestricted bequests as funds functioning as contributions. Such bequests are included in contributions and grants in the Consolidated Statement of Activities and Changes in Net Assets.

Revenue Recognition

Contributions of cash or other assets are recognized when the cash is received or when ownership of donated assets are transferred to the **Foundation**. Donated assets are recorded at estimated fair value on the date of donation. Unconditional promises to give are recorded as made. Contributed support is unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (Continued)

Functional Expenses

Expenses are charged directly to program services, management and general, or fundraising in general categories based on specific identification.

Program Related Expense

Program related expense consists primarily of expenses incurred in relation to community grants awarded.

Support Services Expenses

Support services expenses include salaries and benefits, rent, and other overhead expenses that are incurred in the overall operation of the **Foundation** and are not specifically attributable to a particular fund or program. An administrative fee, which generally ranges from 0.40% to 1.0% of each funds market value, is charged to cover the **Foundation's** operating expenses. Pass-through (nonendowed) funds are charged a 2% administrative fee for the contributed amount, plus any interest or income earned.

Cash Equivalents

For purposes of the Statement of Cash Flows, the **Foundation** considers all highly liquid investments which are readily convertible into cash to be cash equivalents.

Investments

Investments in equity and debt securities are reported at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are recognized in the Consolidated Statement of Activities and Changes in Net Assets. Investment return, including realized and unrealized gains and losses, is included as changes in net assets consistent with the purpose of the investment donor-imposed and Board of Directors' designated restrictions.

Investment Management Fees

Investment management fees paid directly to the investment managers for the fiscal year ended 30 June 2011 and 2010 totaled \$103,902 and \$85,824 respectively. In addition, there were management fees incurred for the **Foundation's** alternative investments. Those fees were not paid to the managers but netted from the return on alternative investments.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (Continued)

Contributed Services

The **Foundation** receives a substantial amount of services donated by volunteers in carrying out the activity of the **Foundation**. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC Topic 958 - *Not for Profit Entities*.

Land, Buildings, and Equipment

For financial statement presentation, land, buildings, and equipment purchases have been capitalized. Donated land, buildings, and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt and are capitalized. The **Foundation** capitalizes asset acquisitions of \$1,000 or more. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	15 - 40 Years
Equipment and Other	5 - 10 Years

Insurance Legacies

The **Foundation** has been named as beneficiary in certain insurance policies. Under the terms of the insurance policies, the **Foundation** will receive the applicable death benefit from the related insurance policies and, accordingly, the **Foundation's** interest in the insurance policies is recorded as an asset at fair value. The fair value of the insurance policies is presumed to be the policies' cash surrender value at the end of the **Foundation's** reporting period. Changes in the fair value of insurance assets, over any applicable obligations, are included in the Consolidated Statement of Activities and Changes in Net Assets as temporarily restricted revenue and support.

Outstanding Legacies

The **Foundation** is the beneficiary under various wills and trust agreements, the total realizable value amounts of which are not presently determinable. The **Foundation's** share of such bequests is recorded when the testamentary instrument is deemed to be valid and the proceeds are measurable.

Commitments and Contingencies

Contracts with government agencies require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of funds to the agencies or the suspension of future funds. Although that is a possibility, the Board of Directors deems the contingencies remote.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (Continued)

Advertising

The **Foundation's** advertising is nondirect and costs are expensed as incurred. Advertising expense for the years ended 30 June 2011 and 2010 were \$11,432 and \$13,977, respectively.

Income Taxes

The **Foundation** is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code*. The **Foundation** has also been classified as an entity that is not a private foundation within the meaning of *Internal Revenue Code* Section 509(a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi) of the *Internal Revenue Code*.

Note B - Investments

Investment performance for all accounts managed under investment agreements with external agents is reviewed periodically by the **Foundation's** Investment Committee and Board of Directors.

Investment income for the year ended 30 June 2011 consists of the following:

Interest and dividend income	\$ 166,195
Net realized and unrealized gains (losses) on investments reported at fair value	<u>3,485,204</u>
Total	<u>\$ 3,651,399</u>

Note C - Fair Value Measurements

FASB issued ASC Topic 820 - *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted price in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The **Foundation** uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the **Foundation** measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C - Fair Value Measurements (Continued)

The fair value of the following financial assets, excluding its cash and cash equivalents and certificates of deposits, of the **Foundation** are measured at fair value based on the following input levels:

	Fair Value Measurements at 30 June 2011			
	Fair Value	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total	<u>\$ 21,881,119</u>	<u>\$ 18,272,740</u>	<u>\$ 3,608,379</u>	<u>\$ -</u>

Level 1 Fair Value Measurement - The fair values are based on quoted prices in active markets for identical securities.

Level 2 Fair Value Measurement - The fair values are determined by observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk).

Level 3 Fair Value Measurement - The fair values are determined by unobservable inputs. For the year ended 30 June 2011, there were no Level 3 Inputs.

Note D - Land, Buildings, and Equipment

The **Foundation** received a contribution in 1998 of land and buildings as part of a donation. The land and buildings were recorded at a value based upon appraised value as determined in the jurisdiction in which the real estate is located.

Certain land and buildings of this donation are being used by a not-for-profit organization not related to the **Foundation** in performing its activities. As there is not a formal lease arrangement between the **Foundation** and the other organization, it is the mutual understanding that the organization will be allowed to continue to operate in the buildings and real estate for an indefinite time. The **Foundation** has chosen to recognize the rental value of the real estate used by the organization as in-kind program related support (expense) and rental revenue in-kind. The **Foundation** has recognized depreciation expense for the buildings of \$34,904 per year since the contribution of the assets.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D - Land, Buildings, and Equipment (Continued)

Land, buildings, and equipment consist of the following at 30 June 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land		
Administrative office	\$ 21,233	\$ 21,233
Used by other organization	123,400	123,400
Other	138,700	138,700
Buildings		
Administrative office	295,971	295,971
Used by other organization	992,600	992,600
Rental property	-	-
Furniture and Equipment	41,807	41,807
Computer Software	<u>32,461</u>	<u>32,461</u>
	1,646,172	1,646,172
Less: Accumulated depreciation and amortization	<u>592,322</u>	<u>538,420</u>
	<u>\$ 1,053,850</u>	<u>\$ 1,107,752</u>

Depreciation and amortization was \$53,902 and \$57,330 for the years ended 30 June 2011 and 2010, respectively.

Note E - Retirement Plan

The **Foundation** maintains a Simplified Employee Pension Plan (Plan) covering all employees who meet the eligibility requirements of the Plan. The **Foundation's** contributions to the Plan are at the sole discretion of the Board of Directors for the **Foundation**. Contributions to the Plan for the years ended 30 June 2011 and 2010 were \$6,357 and \$6,628 respectively.

Note F - Accounting Changes

The Pension Protection Act of 2006 (Act) included provisions to address certain tax abuses that were taking place in some donor advised funds established to benefit individuals. At 30 June 2006 some of the **Foundation's** scholarship funds fit the Act's definition of such funds. The Act provides significant punitive action for violations, both on the foundations that make such awards and on the individual members of Boards of Directors. For the year ended 30 June 2007, changes were made in the scholarship selection process to bring the **Foundation** into compliance with the Act. The Board of Directors appointed a selection committee for all scholarship funds

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F - Accounting Changes (Continued)

on which the donor was allowed to serve but not chair, nor were family members or representatives of the donor allowed to make up a voting majority of the committee. For the year ended 30 June 2008, the Board of Directors further revised the scholarship selection process by taking control of the entire process of selecting recipients of scholarships. All scholarship recipients are now selected by the **Foundation's** Distribution Committee.

Note G - Significant Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. These matters include the following:

Contributions:

Approximately 36.4% of all contributions were received from one donor for the year ended 30 June 2011.

Investments:

The **Foundation's** investments consist primarily of financial instruments including cash equivalents, equity securities, fixed income securities and money market funds. These financial instruments may subject the **Foundation** to concentrations of credit risks as, from time to time, cash balances exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and investments are subject to changes in market values. At 30 June 2011, the **Foundation's** cash and cash equivalents balances in financial institutions did not exceed the FDIC coverage of each appropriate institution in which accounts are maintained.

Note H - Endowment Funds

(a) Net Asset Classifications

In August 2008, the FASB issued ASC Topic 958 - *Not for Profit Entities*. ASC Topic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act* of 2006 (UPMIFA). ASC Topic 958 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and Board of Director designated endowment funds) whether or not the organization is subject to UPMIFA.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H - Endowment Funds (Continued)

Inasmuch as the State of Virginia adopted UPMIFA effective March 2008, the Board of Directors has determined that the majority of the **Foundation's** net assets meet the definition of endowment funds under UPMIFA. The **Foundation** is governed subject to the *Governing Documents for the Foundation* and most contributions are received subject to the terms of the *Governing Documents*.

Under the terms of the *Governing Documents*, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. In accordance with UPMIFA, the **Foundation** considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the **Foundation** and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the **Foundation**
- (7) The investment policies of the **Foundation**

As a result of the ability to distribute corpus, the Board of Directors has determined that all contributions received subject to the *Governing Documents*, and subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement.

Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as temporarily restricted, if the corpus never becomes available for spending it will be reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

(b) Endowment Investment and Spending Policies

The **Foundation** has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The **Foundation's** spending

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H - Endowment Funds (Continued)

and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 5.0%, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the **Foundation** relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The **Foundation** targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the **Foundation's** various endowed funds, for grant making and administration. The current spending policy is to distribute an amount equal to 5.0% of a moving five-year average. Accordingly, over the long term, the **Foundation** expects current spending policy to allow its endowment assets to grow consistent with the **Foundation's** objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment Net Assets

For the year ended 30 June 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment Net Assets, 01 July 2010	\$ 18,392,667	\$ 722,779	\$ 19,115,446
Investment income	166,195	-	166,195
Net realized and unrealized gains on investments	3,485,204	-	3,485,204
Contributions	686,928	1,818,917	2,505,845
Amounts appropriated for expenditure	(1,339,474)	-	(1,339,474)
Other changes – transfers	<u>1,728,370</u>	<u>(1,728,370)</u>	<u>-</u>
Changes in net assets	<u>4,727,223</u>	<u>90,547</u>	<u>4,817,770</u>
Endowment Net Assets, 30 June 2011	<u>\$ 23,119,890</u>	<u>\$ 813,326</u>	<u>\$ 23,933,216</u>

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I - Subsequent Events - Management Review

Beginning in 2009, the **Foundation** must disclose the date through which subsequent events have been evaluated, in accordance with the requirements in FASB ASC Paragraph 855. In regards to these consolidated financial statements and the notes to these financial statements, the **Foundation** has evaluated all subsequent events through 24 August 2011, the date the **Foundation's** financial statements are available to be issued.