



**CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2013



THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

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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 financial statements of **The Community Foundation of the Dan River Region** (a not-for-profit **Foundation**), which comprise the consolidated statement of financial position as of 30 June 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year 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 consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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 2013 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **The Community Foundation of the Dan River Region's** 2012 financial statements, and our report dated 06 September 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended 30 June 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



28 October 2013
Danville, Virginia

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 1,062,074	\$ 1,150,373
Dividends and interest receivable	10,778	10,037
Grants receivable - current	<u>-</u>	<u>250,000</u>
Total Current Assets	1,072,852	1,410,410
Investments - Notes B, C	23,237,643	21,185,223
Property and equipment, net of accumulated depreciation and amortization - Note D	957,040	1,003,176
Insurance legacies	<u>116,378</u>	<u>103,531</u>
Total Assets	<u>\$ 25,383,913</u>	<u>\$ 23,702,340</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 29,302	\$ 46,756
Deferred support - current	-	250,000
Grants payable	<u>52,500</u>	<u>57,000</u>
Total Current Liabilities	81,802	353,756
Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>81,802</u>	<u>353,756</u>
Net Assets		
Unrestricted		
Donor advisory endowment funds - Note G	4,548,194	10,134,093
Donor designated endowment funds - Note G	19,253,018	11,574,693
Board designated endowment funds - Note G	<u>613,129</u>	<u>615,472</u>
Total Unrestricted	24,414,341	22,324,258
Undesignated	<u>245,953</u>	<u>257,314</u>
Total Undesignated	24,660,294	22,581,572
Temporarily restricted	<u>641,817</u>	<u>767,012</u>
Total Net Assets	<u>25,302,111</u>	<u>23,348,584</u>
Total Liabilities and Net Assets	<u>\$ 25,383,913</u>	<u>\$ 23,702,340</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 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Revenues, Gains, Losses, and Other Support				
Contributions and grants	\$ 356,660	\$ 663,682	\$ 1,020,342	\$ 922,114
Rental revenues in-kind	302,600	-	302,600	302,600
Other gifts in-kind	-	-	-	4,647
Income on investments	420,242	-	420,242	658,716
Other income	28,637	-	28,637	17,931
Net realized and unrealized gains (losses) on investments	<u>2,137,303</u>	<u>-</u>	<u>2,137,303</u>	<u>(892,437)</u>
	<u>3,245,442</u>	<u>663,682</u>	<u>3,909,124</u>	<u>1,013,571</u>
Net Assets Released from Restrictions				
Satisfaction of program restrictions	<u>788,877</u>	<u>(788,877)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, Losses, and Other Support	<u>4,034,319</u>	<u>(125,195)</u>	<u>3,909,124</u>	<u>1,013,571</u>
Expenses				
Program expenses				
Community grants	851,355	-	851,355	944,136
Workforce collaborative	411,704	-	411,704	215,799
Program related expense	<u>433,181</u>	<u>-</u>	<u>433,181</u>	<u>429,040</u>
Total Program Expenses	<u>1,696,240</u>	<u>-</u>	<u>1,696,240</u>	<u>1,588,975</u>
Support services expenses				
Management and general	199,172	-	199,172	219,456
Fundraising	<u>60,185</u>	<u>-</u>	<u>60,185</u>	<u>64,772</u>
Total Support Expenses	<u>259,357</u>	<u>-</u>	<u>259,357</u>	<u>284,228</u>
Total Expenses	<u>1,955,597</u>	<u>-</u>	<u>1,955,597</u>	<u>1,873,203</u>
Changes in Net Assets	<u>2,078,722</u>	<u>(125,195)</u>	<u>1,953,527</u>	<u>(859,632)</u>
Net Assets - Beginning of Year	<u>22,581,572</u>	<u>767,012</u>	<u>23,348,584</u>	<u>24,208,216</u>
Net Assets - End of Year	<u>\$ 24,660,294</u>	<u>\$ 641,817</u>	<u>\$ 25,302,111</u>	<u>\$ 23,348,584</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 2013 and 2012

	2013	2012
Cash Flows (Uses) from Operating Activities:		
Changes in Net Assets	\$ 1,953,527	\$ (859,632)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	55,191	53,750
Net realized and unrealized (gains) losses on investments	(2,137,303)	892,437
Loss on sale of furniture	-	1,871
Net noncash (in-kind) activities	-	(4,647)
Changes in		
Collectibles	-	51,000
Dividends and interest receivable	(741)	(3,790)
Grants receivable	250,000	400,000
Insurance legacies	(12,847)	(4,093)
Accounts payable, grants payable and deferred support	<u>(271,954)</u>	<u>(340,438)</u>
Net Cash (Used) Provided by Operating Activities	<u>(164,127)</u>	<u>186,458</u>
Cash Flows (Uses) from Investing Activities:		
Proceeds from the sale of furniture	-	200
Purchase of fixed assets	(9,055)	(500)
Purchase of investments	<u>(1,495,545)</u>	<u>(3,386,269)</u>
Net Cash (Used) by Investing Activities	<u>(1,504,600)</u>	<u>(3,386,569)</u>
Cash Flows (Uses) from Financing Activities:		
Proceeds from the sale and maturities of investments	<u>1,580,428</u>	<u>3,189,728</u>
Net Cash Provided by Financing Activities	<u>1,580,428</u>	<u>3,189,728</u>
Net (Decrease) in Cash and Cash Equivalents	(88,299)	(10,383)
Cash and Cash Equivalents - Beginning of Year	<u>1,150,373</u>	<u>1,160,756</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,062,074</u>	<u>\$ 1,150,373</u>
Supplemental Disclosures Noncash (In-Kind)		
Operating Activities		
In-kind contributions		
Furniture	\$ -	\$ 4,647
Rental income	302,600	302,600
Program expense	<u>(302,600)</u>	<u>(302,600)</u>
Net Noncash (In-Kind) Operating Activities	<u>\$ -</u>	<u>\$ 4,647</u>

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 providing 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 2013 and 2012 totaled \$696,236 and \$731,140, respectively. Inter-organizational 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 2013 and 2012 amounted to \$641,817 and \$767,012, 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 2013 and 2012, 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 Consolidated 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 Consolidated 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 years ended 30 June 2013 and 2012 totaled \$85,556 and \$87,851, 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 2013 and 2012 were \$15,021 and \$19,307, 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 2013 consists of the following:

Interest and dividend income	\$ 420,242
Net realized and unrealized gains (losses) on investments reported at fair value	<u>2,137,303</u>
Total	<u>\$ 2,557,545</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, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, 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 2013			
	Fair Value	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,988,812	\$ 1,988,812	\$ -	\$ -
Equity securities	12,263,653	12,146,490	117,163	-
Corporate debt securities	2,178,837	2,178,837	-	-
Real estate	78,823	78,823	-	-
Tangible assets	86,505	86,505	-	-
U.S. Treasury securities	28,227	28,227	-	-
Alternative investments	<u>6,612,786</u>	<u>974,417</u>	<u>1,028,900</u>	<u>4,609,469</u>
Total	<u>\$ 23,237,643</u>	<u>\$ 17,482,111</u>	<u>\$ 1,146,063</u>	<u>\$4,609,469</u>

	Fair Value Measurements at 30 June 2012			
	Fair Value	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 867,012	\$ 867,012	\$ -	\$ -
Equity securities	10,824,802	10,726,609	98,193	-
Corporate debt securities	1,853,028	1,853,028	-	-
Real estate	26,952	26,952	-	-
Tangible assets	48,926	48,926	-	-
U.S. Treasury securities	30,559	30,559	-	-
Alternative investments	<u>7,533,944</u>	<u>885,790</u>	<u>1,640,090</u>	<u>5,008,064</u>
Total	<u>\$ 21,185,223</u>	<u>\$ 14,438,876</u>	<u>\$ 1,738,283</u>	<u>\$5,008,064</u>

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C - Fair Value Measurements (Continued)

Level 3 investment activity for the year ended 30 June 2013 consists of the following:

Beginning Balance - 01 July 2012	\$ 5,008,064
Ordinary Income	68,470
Interest and Dividends	3,218
Realized Gains (Losses)	118,165
Unrealized Gains (Losses)	701,397
Transfers in (out) of Level 3	<u>(1,289,845)</u>
Total	<u>\$ 4,609,469</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.

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.

Land, buildings, and equipment consist of the following at 30 June 2013 and 2012:

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>2013</u>	<u>2012</u>
Land		
Administrative office	\$ 21,233	\$ 21,233
Used by other organization	123,400	123,400
Other	138,700	138,700
Buildings		
Administrative office	301,781	295,971
Used by other organization	992,600	992,600
Furniture and Equipment	43,192	44,679
Computer Software	<u>32,461</u>	<u>32,461</u>
	1,653,367	1,649,044
Less: Accumulated depreciation and amortization	<u>696,327</u>	<u>645,868</u>
	<u>\$ 957,040</u>	<u>\$ 1,003,176</u>

Depreciation and amortization was \$55,191 and \$53,750 for the years ended 30 June 2013 and 2012, 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 2013 and 2012 were \$6,751 and \$7,575, respectively.

Note F - 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 56.9% of all contributions were received from three donors for the year ended 30 June 2013.

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

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F - Significant Concentrations (Continued)

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 2013, 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 G - Endowment Funds

(a) Net Asset Classifications

The FASB issued ASC Topic 958 – *Not-for-Profit Entities* which 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.

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**

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G - Endowment Funds (Continued)

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 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 its 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.

THE COMMUNITY FOUNDATION OF THE DAN RIVER REGION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G - Endowment Funds (Continued)

Changes in Endowment Net Assets

For the year ended 30 June 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment Net Assets, 01 July 2012	\$ 22,324,258	\$ 767,012	\$ 23,091,270
Investment income	420,242	-	420,242
Net realized and unrealized gains (losses) on investments	2,137,303	-	2,137,303
Contributions	356,660	663,682	1,020,342
Amounts appropriated for expenditure	(1,612,999)	-	(1,612,999)
Other changes - transfers	<u>788,877</u>	<u>(788,877)</u>	<u>-</u>
Changes in net assets	<u>2,090,083</u>	<u>(125,195)</u>	<u>1,964,888</u>
Endowment Net Assets, 30 June 2013	<u>\$ 24,414,341</u>	<u>\$ 641,817</u>	<u>\$ 25,056,158</u>

Note H - Commitments

The **Foundation** has entered into several certain subscription agreements to acquire investment securities at such times as determined by the investment advisory managers and/or the securities issuer. The remaining balance of these unfunded capital commitments for the years ended 30 June 2013 and 2012 were \$1,025,857 and \$1,126,905, respectively.

Note I - Subsequent Events - Management Review

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 28 October 2013, the date the **Foundation's** financial statements are available to be issued.