



Your Community Foundation

**COMMUNITY FOUNDATION
OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY**

FINANCIAL REPORT

JUNE 30, 2016



**COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY**

FINANCIAL REPORT

June 30, 2016

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT.....	3
FINANCIAL STATEMENTS	
Statements of Financial Position.....	5
Statements of Activities	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9



INDEPENDENT AUDITOR'S REPORT

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

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, 2016, and the related statements of activities 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 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 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 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, 2016, 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.

Other Matters

As discussed in Note 9 to the financial statements, the July 1, 2014 balances have been restated to properly recognize an estate gift. Our opinion is not modified with respect to these matters.

Prior Period Financial Statements

The financial statements of Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley as of June 30, 2015 were audited by other auditors whose report dated November 18, 2015 expressed an unmodified opinion on those statements.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 9, 2016

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,324,889	\$ 934,309
Investments (Notes 2 and 3)	55,817,135	57,817,569
Contributions receivable from remainder trusts and estates (Note 4)	2,354,467	4,676,829
Educational loans receivable – net (Note 5)	203,291	254,149
Prepaid expenses	13,869	13,420
Property and equipment – net	19,077	36,219
	\$ 59,732,728	\$ 63,732,495
LIABILITIES AND NET ASSETS		
Grants payable (Note 6)	\$ 535,500	\$ 195,340
Accounts payable and accrued liabilities	30,998	30,822
Annuity obligations (Note 1)	198,031	232,746
Agency funds (Note 1)	2,213,779	2,273,195
	2,978,308	2,732,103
Net assets:		
Unrestricted:		
Undesignated	6,540,888	6,243,241
Field of interest	18,482,899	20,043,921
Designated	5,677,195	4,695,710
Advised	11,598,422	12,347,572
Scholarship	11,851,458	12,663,058
	54,150,862	55,993,502
Temporarily restricted (Notes 1 and 9)	2,603,558	5,006,890
	56,754,420	61,000,392
Total net assets	\$ 59,732,728	\$ 63,732,495

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Contributions	\$ 1,750,464	\$ 466,784	\$ 2,217,248
Interest and dividend income	466,557	2,220	468,777
Administrative fees	801,784	-	801,784
Unrealized losses on investments	(3,042,145)	(14,014)	(3,056,159)
Realized gains on investments	1,169,072	5,857	1,174,929
Change in annuity obligations	-	34,716	34,716
Net assets released from donor restrictions	2,898,895	(2,898,895)	-
Total support and revenues	4,044,627	(2,403,332)	1,641,295
Expenses:			
Program services and grant making	4,297,303	-	4,297,303
General and administrative	1,243,691	-	1,243,691
Investment management fees	201,788	-	201,788
Fundraising	144,485	-	144,485
Total expenses	5,887,267	-	5,887,267
Change in net assets	(1,842,640)	(2,403,332)	(4,245,972)
Net assets:			
Beginning of year, as restated	55,993,502	5,006,890	61,000,392
End of year	\$ 54,150,862	\$ 2,603,558	\$ 56,754,420

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Contributions	\$ 2,319,769	\$ 386,014	\$ 2,705,783
Interest and dividend income	469,699	2,506	472,205
Administrative fees	745,899	-	745,899
Unrealized gains on investments	(1,713,288)	(9,590)	(1,722,878)
Realized gains on investments	2,356,478	13,073	2,369,551
Change in annuity obligations	-	10,477	10,477
Net assets released from donor restrictions	262,345	(262,345)	-
	4,440,902	140,135	4,581,037
Total support and revenues			
Expenses:			
Program services and grant making	3,201,878	-	3,201,878
General and administrative	1,299,483	-	1,299,483
Investment management fees	193,528	-	193,528
Fundraising	139,011	-	139,011
	4,833,900	-	4,833,900
Total expenses			
Change in net assets	(392,998)	140,135	(252,863)
Net assets:			
Beginning of year, as restated (Note 9)	56,386,500	4,866,755	61,253,255
End of year, as restated	\$ 55,993,502	\$ 5,006,890	\$ 61,000,392

COMMUNITY FOUNDATION OF WESTERN VIRGINIA
d/b/a FOUNDATION FOR ROANOKE VALLEY

STATEMENTS OF CASH FLOWS
June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,245,972)	\$ (252,863)
Adjustments to reconcile to net cash used in operating activities:		
Trust write-off	544,555	-
Provision for (recovery of) bad debts	(45,632)	10,075
Depreciation expense	18,195	9,199
Unrealized/realized (gains) losses on investments, net	1,614,818	(930,121)
Unrealized/realized (gains) losses on agency funds	77,518	(25,978)
Change in:		
Contributions receivable from remainder trusts and estates	1,777,807	(386,014)
Prepaid expenses	(449)	4,784
Grants payable	340,160	118,590
Accounts payable and accrued liabilities	176	6,539
Annuity obligations	(34,715)	(10,476)
Agency funds	(59,416)	(18,064)
	(12,955)	(1,474,329)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	6,792,468	4,749,679
Purchases of investments	(6,484,371)	(4,072,635)
Educational loans receivable	96,490	213,776
Purchases of property and equipment	(1,052)	(22,687)
	403,535	868,133
Net cash provided by investing activities	403,535	868,133
Net change in cash and cash equivalents	390,580	(606,196)
CASH AND CASH EQUIVALENTS		
Beginning of year	934,309	1,540,505
End of year	\$ 1,324,889	\$ 934,309

**COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Nature of Operations and Summary of Significant Accounting Policies

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

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, charitable gift annuities, 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. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

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.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net assets: (Continued)

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, 2016 and 2015, 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.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments: (Continued)

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 and received from remainder trusts and estates:

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.

At June 30, 2015, the Foundation was the beneficiary of two estates and the proceeds were received by June 30, 2016. The total value received during 2016 from these two estates was \$2,244,591.

Additionally, the Foundation was the beneficiary of an irrevocable charitable remainder trust ("Trust"). All income was recognized as temporarily restricted in a prior year due to the implied time restrictions. Under the agreement, the donor received an annual distribution of a percentage of the market value of the Trust until death at which time the Foundation expected to receive all or a portion of the remaining principal and income. A third party asserted that they are the beneficiary of the Trust. The ultimate outcome is unknown and the matter will be decided by a court. The Foundation elected to write-off the beneficial interest in the Trust, valued at \$544,555, during the year ended June 30, 2016. The Trust was included in contributions receivable from remainder trusts and estates in the accompanying statements of financial position at June 30, 2015.

**COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributions receivable and received from remainder trusts and estates: (Continued)

As more fully discussed in Note 9, an estate gift was recorded as a prior period adjustment and applied retroactively to 2015. The value of the estate gift at June 30, 2016 and 2015 was \$1,805,912 and \$1,865,143, respectively. The Foundation is the beneficiary of a new estate at June 30, 2016 and the proceeds are expected to be received in less than twelve months. The total value of all trust and estates receivable at June 30, 2016 and 2015 is estimated to be \$2,354,467 and \$4,676,829, respectively.

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 2016 and 2015 was \$18,195 and \$9,199, respectively. Accumulated depreciation was \$119,148 and \$100,953 at June 30, 2016 and 2015, respectively.

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)* and the tax statutes of the Commonwealth of Virginia; 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, 2016. The Foundation 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*.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

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, 2016 and 2015, the Foundation had \$1,166,800 and \$561,797, 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 compromising the receivable balance.

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.

Agency funds:

In accordance with accounting principles generally accepted in the United States of America, 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 statements of activities.

Subsequent events:

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 9, 2016, the date the financial statements were available to be issued.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 2. Investments

Investment activity is reflected below:

	2016	2015
Investments – beginning	\$ 57,817,569	\$ 57,538,515
Investment returns:		
Dividends and interest	480,318	489,083
Net realized gains	1,173,414	2,369,551
Agency funds net realized gains	47,839	97,301
Net unrealized losses	(3,056,159)	(1,722,878)
Agency funds net unrealized losses	(125,357)	(71,323)
Investment expenses	(212,391)	(205,635)
Purchases	6,484,371	4,072,635
Sales	(6,792,469)	(4,749,680)
Investments – ending	<u>\$ 55,817,135</u>	<u>\$ 57,817,569</u>

Note 3. Fair Value of Measurements

The Foundation has adopted accounting standards which establish 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 or similar 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.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Fair Value of Measurements (Continued)

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, 2016 and 2015. 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 an applicable discount rate.

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.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Fair Value of Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 23,920,119	\$ -	\$ -	\$ 23,920,119
Stocks	4,796,908	-	-	4,796,908
Foreign common stock	14,789	-	-	14,789
Corporate bonds	-	104,753	-	104,753
Limited partnerships (a):				
Multi-asset class (b)	-	-	14,875,234	14,875,234
Global bond	-	-	2,204,438	2,204,438
Private equities	-	-	2,186,781	2,186,781
Real assets	-	-	2,076,760	2,076,760
Total investments	<u>28,731,816</u>	<u>104,753</u>	<u>21,343,213</u>	<u>50,179,782</u>
Remainder trusts receivable	-	-	2,354,467	2,354,467
Educational loans receivable	-	-	203,291	203,291
Total receivables	<u>-</u>	<u>-</u>	<u>2,557,758</u>	<u>2,557,758</u>
	<u>\$ 28,731,816</u>	<u>\$ 104,753</u>	<u>\$ 23,900,971</u>	<u>\$ 52,737,540</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 24,652,442	\$ -	\$ -	\$ 24,652,442
Stocks	4,967,564	-	-	4,967,564
Exchange traded funds:	124,175	-	-	124,175
Foreign common stock	369,537	-	-	369,537
Corporate bonds	-	93,301	-	93,301
Limited partnerships (a):				
Hedge funds	-	-	289,459	289,459
Multi-asset class (b)	-	-	14,819,963	14,819,963
Global bond	-	-	2,048,001	2,048,001
Private equities	-	-	2,251,996	2,251,996
Real assets	-	-	2,058,588	2,058,588
Total investments	<u>30,113,718</u>	<u>93,301</u>	<u>21,468,007</u>	<u>51,675,026</u>
Remainder trusts receivable	-	-	4,676,829	4,676,829
Educational loans receivable	-	-	254,149	254,149
Total receivables	<u>-</u>	<u>-</u>	<u>4,930,978</u>	<u>4,930,978</u>
	<u>\$ 30,113,718</u>	<u>\$ 93,301</u>	<u>\$ 26,398,985</u>	<u>\$ 56,606,004</u>

(Continued)

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Fair Value of Measurements (Continued)

The Foundation has \$5,637,353 and \$6,142,543 of cash balances included in investments as of June 30, 2016 and 2015, 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.
- b) Mangham Associates Endowment Partners (MAEP) is an investment vehicle managed by Mangham Associates that pools investments for small to mid-size endowments to allow for access to larger funds. The MAEP investment portfolio was allocated across the following asset classes at June 30:

	2016	2015
Global developed equity funds	62.8%	57.3%
Emerging markets equity funds	11.4%	11.1%
Hedged equity	23.9%	28.9%
Cash and cash equivalents	0.6%	2.7%
Redemptions receivable	0.8%	0.1%
Other assets	0.5%	0.0%

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, 2016:

	Investments	Receivables
Balance at June 30, 2014	\$ 21,860,774	\$ 4,824,981
Net changes in fair value	(415,688)	-
Sales and purchases	22,921	-
Additional receivables	-	329,848
Payments on receivables	-	(115,351)
Recovery of bad debts	-	6,069
Provision for bad debts	-	(114,569)
Balance at June 30, 2015	21,468,007	4,930,978
Net changes in fair value	129,164	-
Sales and purchases	(254,164)	-
Additional receivables	-	466,785
Payments on receivables	-	(2,341,184)
Write-off estate receivable	-	(544,555)
Recovery of bad debts	-	2,704
Provision for bad debts	-	43,030
Balance at June 30, 2016	\$ 21,343,214	\$ 2,557,758

(Continued)

**COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Fair Value of Measurements (Continued)

Unfunded commitments:

The Foundation's non-marketable alternative investments have unfunded commitments of \$509,900 as of June 30, 2016. 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 1 to 10 years.

Note 4. Contributions Receivable

Temporarily restricted contributions receivable from remainder trusts and estates consist of the following at December 31:

Expected to be collected in:

	2016	2015
Less than one year	\$ 548,555	\$ 2,267,131
One to five years	1,805,912	544,555
More than five years	-	1,865,143
	2,354,467	4,676,829

Note 5. Educational Loans Receivable

The Foundation has educational loans receivable at June 30, 2016 and 2015 of \$203,291 and \$254,149, respectively. These loans consist of \$574,310 and \$670,800 in promissory notes net of an estimated uncollectible allowance of \$371,019 and \$416,651 At June 30, 2016 and 2015, respectively. These promissory notes are due from current and former students and have various interest rates and repayment terms and are collectible through 2023.

Note 6. Grants Payable

Grants payable consist of amounts awarded, but not yet paid, to scholarship and grant recipients. All amounts are to be paid within the next fiscal year.

COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Operating Leases

On April 10, 2010, the Foundation entered into a five year lease for its Roanoke office space that commenced on January 1, 2012 and terminates on December 31, 2016.

The Foundation leases office space in Martinsville 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. On January 28, 2016, the Foundation extended the lease through June 30, 2019.

Total rental expense for these leases was \$84,183 and \$85,210 for 2016 and 2015, respectively.

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

2017	\$	58,372
2018		20,146
2019		<u>20,549</u>
	\$	<u><u>99,067</u></u>

Note 8. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2016 and 2015 were \$35,042 and \$29,680, respectively.

**COMMUNITY FOUNDATION OF WESTERN VIRGINIA, INC.
d/b/a FOUNDATION FOR ROANOKE VALLEY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 9. Prior Period Adjustment

A prior period adjustment was made to recognize an estate gift that was not recorded. Management of the Foundation has determined conditions to record the gift were satisfied in 2013.

Contributions receivable from remainder trusts and estates:

Balance, June 30, 2015 as originally stated	\$ 2,811,686
Adjustment to recognize contribution not previously recorded	<u>1,865,143</u>
Balance, June 30, 2015 as restated	<u>\$ 4,676,829</u>

Net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance, July 1, 2014 as originally stated	\$ 56,386,500	\$ 3,057,778	\$ 59,444,278
Adjustment to recognize contribution not previously recorded	<u>-</u>	<u>1,808,977</u>	<u>1,808,977</u>
Balance, June 30, 2014 as restated	56,386,500	4,866,775	61,253,255
Change in net assets, as originally stated	(392,998)	83,969	(309,029)
Adjustment to recognize unrealized gain on investment	<u>-</u>	<u>56,166</u>	<u>56,166</u>
Balance, June 30, 2015, as restated	<u>\$ 55,993,502</u>	<u>\$ 5,006,890</u>	<u>\$ 61,000,392</u>