

*Financial Statements*  
*Years Ended*  
*January 31, 2014 and 2013*

*Greater Williamsburg Community Trust*  
*dba Williamsburg Community Foundation*



***Greater Williamsburg Community Trust  
dba Williamsburg Community Foundation***

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**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

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

Board of Trustees

***Greater Williamsburg Community Trust dba Williamsburg Community Foundation***

We have audited the accompanying financial statements of ***Greater Williamsburg Community Trust dba Williamsburg Community Foundation*** (a nonprofit organization), which comprise the statements of financial position as of January 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 organization'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 organization'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 *Greater Williamsburg Community Trust dba Williamsburg Community Foundation* as of January 31, 2014 and 2013, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Newport News, Virginia  
September 30, 2014

**Greater Williamsburg Community Trust**  
**dba Williamsburg Community Foundation**

**Statements of Financial Position**

<b>January 31,</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,064,252	\$ 1,378,525
Pledges receivable	12,400	21,530
Prepaid expenses	6,013	-
Investments	3,783,996	3,343,053
Deposits	1,005	1,005
Property and equipment - net	1,770	2,656
	<u>\$ 4,869,436</u>	<u>\$ 4,746,769</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued expenses	\$ 1,146	\$ 1,146
Deferred revenue	11,600	-
Grants payable	20,000	61,000
<b>Total liabilities</b>	<u>32,746</u>	<u>62,146</u>
<b>Net assets</b>		
Unrestricted	2,594,366	2,526,487
Temporarily restricted	39,009	39,100
Permanently restricted	2,203,315	2,119,036
<b>Total net assets</b>	<u>4,836,690</u>	<u>4,684,623</u>
	<u>\$ 4,869,436</u>	<u>\$ 4,746,769</u>

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

**Greater Williamsburg Community Trust**  
**dba Williamsburg Community Foundation**

**Statements of Activities**

**Years Ended January 31, 2014 and 2013**

<u>2014</u>	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
<b>Revenue, support and other changes</b>				
Contributions	\$ 621,858	\$ 1,650	\$ -	\$ 623,508
Investment income	145,298	-	-	145,298
Realized and unrealized gains on investments - net	66,021	887	84,279	151,187
Special events - net	11,677	-	-	11,677
Net assets released from restrictions	2,628	(2,628)	-	-
	<u>847,482</u>	<u>(91)</u>	<u>84,279</u>	<u>931,670</u>
<b>Expenses</b>				
Program services	626,975	-	-	626,975
Fundraising	27,119	-	-	27,119
Management and general	125,509	-	-	125,509
	<u>779,603</u>	<u>-</u>	<u>-</u>	<u>779,603</u>
<b>Change in net assets</b>	67,879	(91)	84,279	152,067
<b>Net assets - beginning of year</b>	2,526,487	39,100	2,119,036	4,684,623
<b>Net assets - end of year</b>	<u>\$ 2,594,366</u>	<u>\$ 39,009</u>	<u>\$ 2,203,315</u>	<u>\$ 4,836,690</u>
 <b><u>2013</u></b>				
<b>Revenue, support and other changes</b>				
Contributions	\$ 916,285	\$ 11,237	\$ -	\$ 927,522
Investment income	112,049	-	-	112,049
Realized and unrealized gains on investments - net	79,106	629	92,870	172,605
Special events - net	7,707	-	-	7,707
Net assets released from restrictions	500	(500)	-	-
	<u>1,115,647</u>	<u>11,366</u>	<u>92,870</u>	<u>1,219,883</u>
<b>Expenses</b>				
Program services	452,783	-	-	452,783
Fundraising	21,452	-	-	21,452
Management and general	126,073	-	-	126,073
	<u>600,308</u>	<u>-</u>	<u>-</u>	<u>600,308</u>
<b>Change in net assets</b>	515,339	11,366	92,870	619,575
<b>Net assets - beginning of year</b>	2,011,148	27,734	2,026,166	4,065,048
<b>Net assets - end of year</b>	<u>\$ 2,526,487</u>	<u>\$ 39,100</u>	<u>\$ 2,119,036</u>	<u>\$ 4,684,623</u>

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

**Greater Williamsburg Community Trust**  
**dba Williamsburg Community Foundation**

**Statements of Functional Expenses**

**Years Ended January 31, 2014 and 2013**

<u>2014</u>	Program Services	Fundraising	Management and General	Total
Allocations/awards	\$ 598,311	\$ -	\$ -	\$ 598,311
Accounting	-	-	21,010	21,010
Advertising	2,628	-	5,517	8,145
Conference, convention and meeting	-	-	2,868	2,868
Depreciation	-	-	886	886
Dues and subscriptions	-	-	800	800
Insurance	-	-	2,048	2,048
Investment fees	-	-	15,898	15,898
Miscellaneous	-	779	4,247	5,026
Occupancy	3,158	3,158	7,414	13,730
Postage and shipping	254	430	2,867	3,551
Printing and publications	271	869	7,292	8,432
Program related expenses	471	-	-	471
Salaries and payroll taxes	21,077	21,078	49,487	91,642
Supplies	-	-	2,114	2,114
Travel	-	-	1,171	1,171
Utilities	805	805	1,890	3,500
	<b>\$ 626,975</b>	<b>\$ 27,119</b>	<b>\$ 125,509</b>	<b>\$ 779,603</b>
<u>2013</u>	Program Services	Fundraising	Management and General	Total
Allocations/awards	\$ 433,314	\$ -	\$ -	\$ 433,314
Accounting	-	-	18,810	18,810
Advertising	-	-	4,078	4,078
Conference, convention and meeting	-	-	3,801	3,801
Depreciation	-	-	226	226
Dues and subscriptions	-	-	800	800
Insurance	-	-	2,278	2,278
Investment fees	-	-	14,092	14,092
Miscellaneous	-	-	2,626	2,626
Occupancy	2,371	2,782	6,190	11,343
Organizational planning	-	-	800	800
Postage and shipping	-	-	3,336	3,336
Printing and publications	-	-	12,769	12,769
Program related expenses	51	-	91	142
Salaries and payroll taxes	16,320	17,874	51,064	85,258
Supplies	-	-	2,533	2,533
Travel	-	-	638	638
Utilities	727	796	1,941	3,464
	<b>\$ 452,783</b>	<b>\$ 21,452</b>	<b>\$ 126,073</b>	<b>\$ 600,308</b>

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

**Greater Williamsburg Community Trust**  
**dba Williamsburg Community Foundation**

**Statements of Cash Flows**

Years Ended January 31,	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 152,067	\$ 619,575
Adjustments to reconcile to net cash from operating activities:		
Depreciation	886	226
Net realized losses on investments	11,358	48,346
Net unrealized gains on investments	(162,545)	(220,951)
Change in:		
Pledges receivable	9,130	4,470
Prepaid expenses	(6,013)	-
Accrued expenses	-	(1,800)
Deferred revenue	11,600	-
Grants payable	(41,000)	(38,000)
<b>Net cash from operating activities</b>	<b>(24,517)</b>	<b>411,866</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(2,258)
Sales and maturities of investments	645,851	658,296
Purchase of investments	(935,607)	(725,519)
<b>Net cash from investing activities</b>	<b>(289,756)</b>	<b>(69,481)</b>
<b>Net change in cash and cash equivalents</b>	(314,273)	342,385
<b>Cash and cash equivalents - beginning of year</b>	1,378,525	1,036,140
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,064,252</b>	<b>\$ 1,378,525</b>

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

***Greater Williamsburg Community Trust  
dba Williamsburg Community Foundation***

***Notes to Financial Statements***

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**January 31, 2014 and 2013**

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**1. Organization and Nature of Activities**

***Greater Williamsburg Community Trust dba Williamsburg Community Foundation*** (Foundation) is a public not-for-profit organization founded in 1999 in Williamsburg, Virginia. The Foundation is a community foundation which provides grants to nonprofit organizations, scholarships to students and promotes philanthropy in the greater Williamsburg community. Revenue is derived primarily through donor contributions and return on investments.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

Under applicable accounting standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

***Unrestricted net assets*** - Unrestricted net assets result from unrestricted contributions, grants, special events, fees, and interest, less expenses incurred in program, fundraising, and administrative functions. Virtually all contributions, including those with donor-advised provisions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Foundation the ability to modify donor recommendations that are incapable of fulfillment or are no longer consistent with the charitable needs of the community. As a result of the variance power, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

***Temporarily restricted net assets*** - Temporarily restricted net assets 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. At January 31, 2014 and 2013, the Foundation has temporarily restricted net assets of \$39,009 and \$39,100, respectively.

***Permanently restricted net assets*** - Permanently restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation. At January 31, 2014 and 2013, the Foundation has permanently restricted net assets of \$2,203,315 and \$2,119,036, respectively.

**Cash Equivalents**

The Foundation considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

## **Credit Risk**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash on deposit with financial institutions, pledges receivable, and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to the legal limit. At January 31, 2014 and 2013, there were no amounts on deposit in excess of the FDIC limit. The Foundation's investments do not represent significant concentrations of market risk in as much as the Foundation's investment portfolio is adequately diversified.

The Foundation's potential credit risk in regard to pledges receivable is limited due to the nature of the Foundation's pledges receivable as well as the Foundation's collection history.

## **Pledges Receivable**

Pledges are recognized when the donor makes an unconditional promise to give. All donations are considered to be available for unrestricted use unless specifically restricted by the donor. At January 31, 2014 and 2013, management has determined that an allowance for doubtful pledges is not necessary. Uncollectible pledges receivable, if any, are written off in the period in which they are identified.

## **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. When restrictions are met in the same fiscal year restricted support is received, the gift is classified as unrestricted support.

## **Property and Equipment**

Acquisitions of equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. The Foundation's policy is to capitalize all items with a useful life greater than one year.

## **Support Revenue**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same period are reported as unrestricted support.

## **Advertising Costs**

Advertising costs are expensed as incurred.

## **Income Taxes**

The Foundation is exempt from federal and state income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, 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 January 31, 2014. Fiscal years ending on or after January 31, 2011, remain subject to examination by federal and state tax authorities.

## **Donated Services**

The Foundation receives donated services from unpaid volunteers who assist in special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under applicable accounting standards have not been satisfied.

## **Joint Costs**

The Foundation allocates joint costs based on an estimate of time spent by management and staff on fundraising activities. The statements of functional expenses reflect management's estimate of the allocation of salaries and payroll taxes, occupancy, and other applicable expenses to program services, fundraising and management and general expense.

## **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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Subsequent Event**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 30, 2014, the date the financial statements were available to be issued.

### **3. Fair Value Measurements**

Accounting standards establish a framework for measuring fair value. That framework provides 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 under applicable accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at January 31, 2014 and 2013.

*Equity Securities:* Valued at the official closing price of, or the last reported sales price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued, or lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market in which the security trades.

*Fixed Income Securities:* Valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value at year end.

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the Foundation at year end.

*Pledges Receivable:* Reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future pledges to be received using a discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

	<b>Assets at Fair Value as of January 31, 2014</b>			
	Level 1	Level 2	Level 3	Total
Pledges receivable	\$ -	\$ -	\$ 12,400	\$ 12,400
Fixed income:				
Corporate bonds	\$ -	\$ 446,285	\$ -	\$ 446,285
Government bonds	-	253,596	-	253,596
Government asset backed securities	-	65,358	-	65,358
Corporate asset backed securities	-	67,828	-	67,828
Mutual funds	2,950,929	-	-	2,950,929
	<u>\$ 2,950,929</u>	<u>\$ 833,067</u>	<u>\$ -</u>	<u>\$ 3,783,996</u>

	<b>Assets at Fair Value as of January 31, 2013</b>			
	Level 1	Level 2	Level 3	Total
Pledges receivable	\$ -	\$ -	\$ 21,530	\$ 21,530
Equity securities	\$ 152,879	\$ -	\$ -	\$ 152,879
Fixed income:				
Corporate bonds	-	438,355	-	438,355
Government bonds	-	254,733	-	254,733
Government asset backed securities	-	68,759	-	68,759
Corporate asset backed securities	-	82,464	-	82,464
Mutual funds	2,345,863	-	-	2,345,863
	<u>\$ 2,498,742</u>	<u>\$ 844,311</u>	<u>\$ -</u>	<u>\$ 3,343,053</u>

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements within the Foundation using significant unobservable inputs (Level 3):

	<b>2014</b>	<b>2013</b>
Balance - beginning of year	\$ 21,530	\$ 26,000
New pledges made	500	15,000
Pledge payments received	(9,630)	(19,470)
Balance - end of year	<u>\$ 12,400</u>	<u>\$ 21,530</u>

Unrealized gains (losses) were as follows:

	<b>2014</b>		
	Cost	Fair Value	Unrealized Gain (Loss)
Fixed income	\$ 846,504	\$ 833,067	\$ (13,437)
Mutual funds	2,691,328	2,950,929	259,601
	<u>\$ 3,537,832</u>	<u>\$ 3,783,996</u>	<u>\$ 246,164</u>
	<b>2013</b>		
	Cost	Fair Value	Unrealized Gain
Equity securities	\$ 148,623	\$ 152,879	\$ 4,256
Fixed income	836,914	844,311	7,397
Mutual funds	2,276,929	2,345,863	68,934
	<u>\$ 3,262,466</u>	<u>\$ 3,343,053</u>	<u>\$ 80,587</u>

During 2013, the investment portfolio was further diversified and funds were transferred from Level 1 equity securities to Level 2 fixed income securities. Historic performance and future expectations suggest that common stocks (equities) will provide higher total investment returns than fixed income securities over a long-term investment horizon. These higher returns for equities, however, are accompanied by higher volatility, particularly in the short run. A fixed income component is deemed appropriate as diversification among asset classes dampens volatility.

At January 31, 2014 and 2013, cash of \$27,054 and \$229,545, respectively, was held at Wells Fargo in money market accounts and is included in cash and cash equivalents on the statements of financial position.

#### 4. Pledges Receivable

Pledges receivable are recorded at fair value at the time the pledge is made. Unrestricted pledges receivable were as follows:

	<b>2014</b>	<b>2013</b>
Receivable in less than one year	\$ 12,400	\$ 10,030
Receivable in one to five years	-	11,500
	<u>\$ 12,400</u>	<u>\$ 21,530</u>

## 5. Property and Equipment

Major classes of property and equipment consisted of the following:

	<b>2014</b>	<b>2013</b>
Office equipment	\$ 15,873	\$ 15,873
Furniture	75	75
Software	4,842	4,842
	<u>20,790</u>	<u>20,790</u>
Accumulated depreciation	(19,020)	(18,134)
	<u>\$ 1,770</u>	<u>\$ 2,656</u>

## 6. Grants Payable

In accordance with donors' fund agreements, the Foundation awarded several multi-year grants. Future payments on these grants consist of \$20,000 to be paid in 2015.

## 7. Administrative Fees

The Foundation assesses an administrative fee of up to 1% of the average balance of endowed fund balances. The fee reduces investment income allocated to each named fund, and is transferred to provide support for the overall operations of the Foundation. The total fees assessed to endowed funds in 2014 and 2013 were \$45,139 and \$41,185, respectively.

## 8. Operating Lease

The Foundation entered into a lease agreement for use of office space in May 2011. The original lease was due to expire in April 2015. Subsequent to January 31, 2014, the lease agreement was amended and, effective May 1, 2014, is now on a month-to month basis at \$1,067 per month.

## 9. Special Events Income

Fundraising income is presented net of expenses as follows:

	<b>2014</b>	<b>2013</b>
<b>5K Race</b>		
Income	\$ 9,999	\$ 11,554
Expenses	(7,165)	(5,825)
	<u>2,834</u>	<u>5,729</u>
<b>Other Special Events (including Professional Advisor Event)</b>		
Income	11,500	5,735
Expenses	(2,657)	(3,757)
	<u>8,843</u>	<u>1,978</u>
	<u>\$ 11,677</u>	<u>\$ 7,707</u>

## 10. Related Party Transactions

During 2014, the Foundation had banking and insurance relationships with companies in which Board members serve in a management or principal capacity. A checking account with a cash balance of \$113,088 and \$119,227 at January 31, 2014 and 2013, respectively, is held with the related bank. Insurance expense was \$2,048 for 2014. The 2013 insurance provider was unrelated. No amounts were due to or from these related parties at January 31, 2014 and 2013.

## 11. Net Assets

Net assets classified as endowed consist of funds which are invested principally in long-term assets from which a specified distribution is made annually. Non-endowed assets are invested principally in short-term investments and are distributed throughout the year to support donor-advised and Foundation grants, operations, and specific purposes. All donor-advised funds have been established by donor contributions of amounts, the distribution of which the donors may advise, subject to the distribution policies of the Foundation and the approval of the Board of Trustees. Field of interest funds are established to support specific activities within the community specified by the donors of these funds, with distributions made by the Board to those activities (e.g., musical performing arts and local history). Scholarship funds are established to fund scholarships to students within the community. Scholarship funds have been established by donor contributions and are subject to the distribution policies of the Foundation and the approval of the Board of Trustees.

Net assets are comprised of the following:

	<u>2014</u>	<u>2013</u>
<b>Unrestricted</b>		
Endowed:		
Designated	\$ 52,917	\$ 49,843
Scholarship	64,588	63,285
Field of interest	84,871	81,588
Donor-advised	240,211	190,000
Board designated	1,190,398	1,092,705
Non-endowed:		
Field of interest	768	1,066
Designated	28,750	2,500
Operations	46,018	51,390
Unrestricted	112,089	158,664
Scholarship	343,321	433,138
Donor-advised	430,435	402,308
	<u>2,594,366</u>	<u>2,526,487</u>
<b>Temporarily restricted</b>		
Endowed:		
Designated	14,463	13,577
Non-endowed:		
Field of interest	4,464	7,092
Scholarship	20,082	18,431
	<u>39,009</u>	<u>39,100</u>
<b>Permanently restricted</b>		
Endowed:		
Donor-advised	2,203,315	2,119,036
	<u>\$ 4,836,690</u>	<u>\$ 4,684,623</u>

## 12. Donor-Designated Endowments (UPMIFA state)

Applicable accounting standards provide 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). These standards also improve disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Virginia adopted UPMIFA effective July 1, 2008. The Board of Trustees, on the advice of legal counsel, has determined that some of the Foundation's funds do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to the Operating Policies for the Foundation and most contributions are subject to the terms of the Operating Policies. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the Operating Policies, the Board of Trustees has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board of Trustees in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted net assets consist of the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Permanently restricted net assets are donor restricted endowment funds.

*Investment Return Objectives, Risk Parameters and Strategies.* The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to maintain or increase the real value of the endowment principal and its distributions over the long term while funding current needs at an appropriate level. Accordingly, the investment objective for the fund is to earn, over time, the highest possible total return (e.g., capital appreciation and current yield) consistent with the following considerations (1) the fund is a perpetual fund, and is subject to the Foundation's *Spending Policy*; (2) there is no current income requirement, outside of the *Spending Policy*, as the level of distributions will be based upon the total return anticipated for the fund, although it is anticipated that a material part of the annual distributions will be covered by cash income and appreciation earned on the endowment; (3) a moderate level of risk or variability is acceptable to achieve the return objectives, although this should be tempered by diversification of the fund within and across asset classes.

*Spending Policy.* The Finance and Investment Committee reviews the spending level annually. It recommends a level of spending to the Board of Trustees for the ensuing year, based upon historic and anticipated returns for the endowment and any other factors appropriate to the objective of maximizing spending, consistent with balancing current and future needs and maintaining relative stability of spending, year to year. The rate of spending is based upon an average for the current market value of the portfolio and the market value for all prior quarterly periods, beginning April 30, 2010, building to a maximum of twelve quarters. This average is adjusted for significant contributions or distributions during the period. Currently, the rate shall be three and one-half percent (3.5%) of the average adjusted market value. It is expected that over time the rate will be in the range of 3.5% to 5.0%. Amounts released from restriction and appropriated for expenditure include grants requested by donors and approved by the Board of Trustees and administrative fees of up to 1% of the average of the endowed fund balance.

Endowment net asset composition and type of fund is as follows at January 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor advised endowment funds	\$ 240,211	\$ -	\$ 2,203,315	\$ 2,443,526
Field of interest endowment funds	84,871	-	-	84,871
Scholarship endowment funds	64,588	-	-	64,588
Designated endowment funds	52,917	14,463	-	67,380
Board designated endowment funds	1,190,398	-	-	1,190,398
	<u>\$ 1,632,985</u>	<u>\$ 14,463</u>	<u>\$ 2,203,315</u>	<u>\$ 3,850,763</u>

Changes in endowment net assets were as follows for the year ended January 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets - beginning of year	\$ 1,477,421	\$ 13,577	\$ 2,119,036	\$ 3,610,034
Contributions	98,218	-	-	98,218
Appreciation of investments	143,609	886	129,608	274,103
Amounts appropriated for expenditure	(106,139)	-	(45,329)	(151,468)
Reclassifications	19,876	-	-	19,876
Endowment net assets - end of year	<u>\$ 1,632,985</u>	<u>\$ 14,463</u>	<u>\$ 2,203,315</u>	<u>\$ 3,850,763</u>

Endowment net asset composition and type of fund is as follows at January 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor advised endowment funds	\$ 190,000	\$ -	\$ 2,119,036	\$ 2,309,036
Field of interest endowment funds	81,588	-	-	81,588
Scholarship endowment funds	63,285	-	-	63,285
Designated endowment funds	49,843	13,577	-	63,420
Board designated endowment funds	1,092,705	-	-	1,092,705
	<u>\$ 1,477,421</u>	<u>\$ 13,577</u>	<u>\$ 2,119,036</u>	<u>\$ 3,610,034</u>

Changes in endowment net assets were as follows for the year ended January 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets - beginning of year	\$ 1,167,562	\$ 12,948	\$ 2,026,166	\$ 3,206,676
Contributions	217,663	-	-	217,663
Appreciation of investments	93,766	629	166,183	260,578
Amounts appropriated for expenditure	(58,034)	-	(73,313)	(131,347)
Reclassifications	56,464	-	-	56,464
Endowment net assets - end of year	<u>\$ 1,477,421</u>	<u>\$ 13,577</u>	<u>\$ 2,119,036</u>	<u>\$ 3,610,034</u>

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