DRF

A Bridge to the Future

Financial Statements

For The Years Ended December 31, 2013 and 2012

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Danville Regional Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Danville Regional Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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.

Auditor's 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 audit 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 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.

Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Danville Regional Foundation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Raffa, P.C.

Raffa, P.C.

Washington, DC

December 1, 2014

DANVILLE REGIONAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 30,781,250	$ 1,533,022
Investments	182,803,939	186,187,230
Prepaid expenses	26,802	71,889
Receivable for return of grant funds	424,810	-
Federal excise tax receivable	1,485	7,681
Property and equipment, net of accumulated depreciation and amortization of $225,834 and $154,522, respectively	926,762	990,435
TOTAL ASSETS	$ 214,965,048	$ 188,790,257
LIABILITIES AND NET ASSETS		
Accrued wages and benefits	$ 386,389	$ 367,593
Accounts payable and other accrued expenses	177,006	120,165
Grants payable	4,483,012	13,478,830
Capital lease obligation	836,676	863,520
Deferred federal excise tax	1,055,914	273,347
TOTAL LIABILITIES	6,938,997	15,103,455
Net Assets - Unrestricted	208,026,051	173,686,802
TOTAL NET ASSETS	208,026,051	173,686,802
TOTAL LIABILITIES AND NET ASSETS	$ 214,965,048	$ 188,790,257

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

DANVILLE REGIONAL FOUNDATION

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013	2012
REVENUE AND SUPPORT		
Investment income, net of investment expenses	$ 38,180,754	$ 20,835,869
Returned grant funds	498,764	38,750
Other	4,115	14,524
TOTAL REVENUE AND SUPPORT	38,683,633	20,889,143
EXPENSES		
Program Services:		
Grants:		
President's discretionary fund	457,734	153,743
Responsive grant-making	444,000	1,829,302
Foundation initiated	307,000	3,970,865
Make it Happen initiative	58,815	163,544
Total Program Services	1,267,549	6,117,454
Supporting Services:		
General and administrative:		
Salaries and benefits	1,268,194	1,259,603
Professional fees	358,940	397,217
Special events	141,622	88,282
Depreciation and amortization	71,312	71,483
Promotional fees	69,554	88,779
Interest	46,416	47,837
Occupancy	39,362	35,822
Insurance	37,071	33,926
Dues and subscriptions	30,683	29,638
Miscellaneous	22,841	20,322
Board expenses	22,356	40,619
Maintenance and repairs	22,294	16,101
Telephone	18,976	16,811
Travel	10,170	11,300
Office supplies	6,751	9,117
Postage	1,530	3,126
Total General and Administrative	2,168,072	2,169,983
Provision for Federal Excise Tax		
Current	126,196	73,318
Deferred	782,567	134,809
Total Provision for Federal Excise Tax	908,763	208,127
Total Supporting Services	3,076,835	2,378,110
TOTAL EXPENSES	4,344,384	8,495,564
Change in Unrestricted Net Assets	34,339,249	12,393,579
NET ASSETS, BEGINNING OF YEAR	173,686,802	161,293,223
NET ASSETS, END OF YEAR	$ 208,026,051	$ 173,686,802

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

DANVILLE REGIONAL FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012
Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 34,339,249	$ 12,393,579
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized gains on investments	(10,884,481)	(4,978,645)
Unrealized gains on investments	(25,235,750)	(13,480,915)
Depreciation and amortization	71,312	71,483
Provision for deferred federal excise tax expense	782,567	134,809
Changes in assets and liabilities:		
Prepaid expenses	45,087	(36,808)
Receivable for return of grant funds	(424,810)	-
Federal excise tax receivable	6,196	13,318
Accrued wages and benefits	18,796	95,528
Accounts payable and other accrued expenses	56,841	(92,867)
Grants payable	(8,995,818)	(2,925,599)
NET CASH USED IN OPERATING ACTIVITIES	(10,220,811)	(8,806,117)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments	(36,984,308)	(50,999,991)
Proceeds from the sale of investments	76,487,830	60,058,045
Acquisition of property and equipment	(7,639)	(41,858)
NET CASH PROVIDED BY INVESTING ACTVITIES	39,495,883	9,016,196
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligation	(26,844)	(25,423)
NET CASH USED IN FINANCING ACTVITIES	(26,844)	(25,423)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,248,228	184,656
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,533,022	1,348,366
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,781,250	$ 1,533,022
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for excise taxes	$ 120,000	$ 60,000
Actual cash payments for interest	$ 46,416	$ 47,837

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Danville Regional Foundation (the Foundation) is a tax-exempt private foundation that was incorporated in July 2005 under the laws of the Commonwealth of Virginia. The Foundation seeks to develop, promote and support activities, programs and organizations that improve the health, welfare and education of the residents of the City of Danville, VA, Pittsylvania County, VA and Caswell County, NC. The Foundation was created by a grant from the Danville Regional Health System. The Foundation's activities are supported by this grant and the income from the Foundation's investment portfolio.

Cash Equivalents

The Foundation considers all money market funds, other than those included in the investment fund designated for the deferred compensation plan as described in Note 5 of these financial statements, to be cash equivalents.

Investments

Investments include investment funds considered to be alternative investment funds, as such funds are not traded in an established market with published values. Additionally, access to participation in these funds is limited and at the fund's discretion and approval, and liquidation of the Foundation's interests may be subject to various restrictions imposed by the fund managers. Also included in investments are common stocks, a growth index mutual fund, an institutional mutual fund and an equity mutual fund as well as a bond mutual fund and money market funds designated to fund the Foundation's deferred compensation liability. The common stocks and mutual funds are recorded in the accompanying financial statements at their fair value, as based upon quoted market prices, as of December 31st.

The alternative investment funds consist of a limited partnership fund which is invested in industrial grade timberland properties (AmSouth Timber Company), a commingled real estate investment fund (Prime Property Fund), two commingled funds comprised of common collective trusts (State Street Bank and Trust Company SSgA Intermediate U.S. Government/Credit Bond Index Non-Lending QP Common Trust Fund and SSgA Russell 2000 Growth Index Securities Lending and Non-Lending QP Common Trust Fund) and four feeder funds in master-feeder structures invested in equity related investments in private equity partnerships (Hamilton Lane Offshore Funds). These investments are recorded in the accompanying financial statements at their fair value, as provided by the investment managers. The Foundation has adopted the provisions of the Financial Accounting Standards Board's (FASB's) Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which permits, as a practical expedient, the fair value of certain alternative investments within its scope to be estimated using net asset value or its equivalent as reported by the investee.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

The timberland partnership fund consists of timber holdings which are valued at estimated market values based upon appraisal reports prepared by independent appraisers. Future revenue from this fund will arise principally from the sales of timber. Sales by the fund of its timber holdings are dependent on the economic conditions of the housing and pulp and paper products industries and the corresponding demand for wood and wood products. Changes in the economic condition of these industries and the corresponding demand for wood and wood products will affect future revenue of this fund and the estimated market value of its timber holdings. This fund is valued in the accompanying financial statements at the net asset value per share as of December 31st.

The commingled real estate investment fund consists of real estate investments which are recorded at their estimated fair value, determined in accordance with the policies and procedures of the Appraisal Standards Board and the Appraisal Foundation. Investment values are determined quarterly from limited restricted appraisals, in accordance with the Uniform Standards of Professional Appraisal Practice. Full appraisal reports are prepared on a rotating basis for all properties held by the fund so each property receives a full appraisal report at least once every three years. Ultimate realization of the fair values is dependent upon economic and other conditions in the markets in which individual properties are located. Given the inherent uncertainty of real estate valuations related to assumptions regarding capitalization rates, discount rates, leasing and other factors, the estimated market values provided by the Foundation’s investment manager may differ from values that would be determined by negotiation between independent parties in sales transactions, and the difference could be material. This fund is valued in the accompanying financial statements at the net asset value per share as of December 31st.

The commingled funds consist of a government credit bond index fund and a growth index fund. These funds are invested in registered investment companies, collective investment funds, fixed income investments and equities and also include derivative instruments such as futures contracts. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values. These funds are valued in the accompanying financial statements at the net asset value per share as of December 31st. The Foundation fully liquidated its investment in the government credit bond index fund during 2013.

The feeder funds include three foreign funds and one domestic fund. These four funds include equity and equity related investments in private equity partnerships acquired through secondary market transactions. These private equity partnerships include investments in public and private companies and may include venture capital, buyout, mezzanine capital (subordinated debt or preferred equity instruments), early stage companies and companies in distress or trading at distressed levels and likely to restructure, reorganize or liquidate. These funds are valued in the accompanying financial statements at the net asset value per share as of December 31st.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

Because of the inherent uncertainty of the valuation of each of the Foundation's alternative investment funds, the values used for these investments may differ significantly from the value that would have been used had a ready market for the investments existed.

Fair Value Measurements

In accordance with the fair value measurements and disclosures topic of the FASB Accounting Standards Codification (ASC), the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

As of December 31, 2013 and 2012, the Foundation's assets and liabilities which were measured at fair value on a recurring basis and subject to the disclosure requirements of the fair value measurements and disclosures topic of the FASB ASC include only its investments, as described in Note 2 of these financial statements.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access. This classification is applied to any investment of the Foundation that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. This classification is applied to investments of the Foundation for which there is no established trading market. Fair value is generally determined based on the fund's net asset value (NAV) as provided by the fund's management using a variety of methodologies relevant to the particular investment portfolio that combine primary market data available from national securities exchanges for underlying securities that are actively traded as well as other factors.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Disclosure of the estimated fair value of financial instruments is required by FASB ASC 825, *Financial Instruments*. Cash and cash equivalents reflect amounts that approximate fair value due to the short maturity of these instruments. The fair value measurement of investments is as described above. Grants payable that are expected to be paid within one year are recorded at net realizable value. Grants payable that are expected to be paid in future years are recorded at the present value of their estimated future cash flows using a discount commensurate with the risks identified. As disclosed in Note 3 to these financial statements, the present value factor of grants payable due in one to five years was not considered significant to the Foundation's financial statements and, accordingly, not recognized in these financial statements.

Property and Equipment and Related Depreciation and Amortization

Furniture and equipment are stated at cost. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the respective assets which range from three to seven years. The building is amortized over the lease term and leasehold improvements are amortized over the shorter of the remaining lease period or useful life of the improvements. Maintenance and repairs are charged to expense when incurred; major improvements are capitalized. Upon retirement or disposal of assets, the accounts are relieved of the cost and accumulated depreciation and amortization with any resulting gain or loss included in revenue or expense.

Classification of Net Assets

Unrestricted net assets represent the portion of expendable funds that are available for support of the Foundation's operations.

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.

Reclassifications

Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

2. Investments

The following table summarizes the Foundation's investments at fair value as of December 31, 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock:				
Financial	$ 11,612,891	$ 11,612,891	$ -	$ -
Consumer discretionary	8,365,635	8,365,635	-	-
Industrials	7,619,690	7,619,690	-	-
Health care	6,351,945	6,351,945	-	-
American depository receipt	4,376,930	4,376,930	-	-
Energy	3,755,427	3,755,427	-	-
Information technology	3,451,775	3,451,775	-	-
Consumer staples	2,856,906	2,856,906	-	-
Materials	2,354,174	2,354,174	-	-
Utilities	2,132,230	2,132,230	-	-
Real estate	401,776	401,776	-	-
Total common stock	53,279,379	53,279,379	-	-
Growth index mutual fund [Vanguard]	44,462,179	44,462,179	-	-
Institutional mutual fund [Vanguard]	26,420,459	26,420,459	-	-
Timberland partnership fund [AmSouth Timber Co.]	17,209,281	-	-	17,209,281
Commingled real estate fund [Prime Property Fund]	12,149,927	-	-	12,149,927
State Street Growth Index Common Trust Fund	11,860,446	-	-	11,860,446
Equity mutual fund [Lazard]	11,143,090	-	11,143,090	-
Feeder funds (4 private equity investment funds) [Hamilton Lane]	6,180,804	-	-	6,180,804
Bond mutual fund	4,987	4,987	-	-
Money market holdings	93,387	93,387	-	-
Total	$182,803,939	$124,260,391	$11,143,090	$47,400,458

Continued

2. Investments (continued)

The following table summarizes the Foundation's investments at fair value as of December 31, 2012:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock:				
Financial	$ 7,154,914	$ 7,154,914	$ -	$ -
Consumer discretionary	6,893,431	6,893,431	-	-
Industrials	4,808,062	4,808,062	-	-
Health care	5,585,233	5,585,233	-	-
American depository receipt	5,110,217	5,110,217	-	-
Energy	2,559,233	2,559,233	-	-
Information technology	5,418,820	5,418,820	-	-
Consumer staples	2,194,896	2,194,896	-	-
Materials	2,547,185	2,547,185	-	-
Utilities	1,923,946	1,923,946	-	-
Real estate	204,415	204,415	-	-
Total common stock	44,400,352	44,400,352	-	-
Growth index mutual fund [Vanguard]	35,493,766	35,493,766	-	-
Institutional mutual fund [Vanguard]	23,575,618	23,575,618	-	-
Timberland partnership fund [AmSouth Timber Co.]	17,368,855	-	-	17,368,855
Commingled real estate fund [Prime Property Fund]	10,861,809	-	-	10,861,809
State Street Growth Index Common Trust Fund	9,525,613	-	-	9,525,613
State Street Intermediate U.S. Government/Credit Bond Index Trust Fund	28,418,201	-	-	28,418,201
Equity mutual fund [Lazard]	9,999,567	-	9,999,567	-
Feeder funds (4 private equity investment funds) [Hamilton Lane]	6,460,754	-	-	6,460,754
Bond mutual fund	5,100	5,100	-	-
Money market holdings	77,595	77,595	-	-
Total	$ 186,187,230	$ 103,552,431	$ 9,999,567	$ 72,635,232

Continued

2. Investments (continued)

The equity mutual fund in which the Foundation held an interest as of December 31, 2013 and 2012 is a publicly traded fund. The fund's fair value input level was classified as "level 2" as of December 31, 2013 and 2012 as the fund is not open to new investors and not considered to be actively traded. The valuation as of December 31, 2013 and 2012 was based upon the market value approach as published trading values were available for this fund.

The following table represents a roll forward of the fair value measurements as of December 31, 2013 and 2012 using significant unobservable inputs (Level 3):

	Timberland partnership fund [AmSouth Timber Co.]	Commingled real estate fund [Prime Property Fund]	Commingled fund [State Street Growth Index Common Trust Fund]	Commingled fund [State Street Intermediate U.S. Government / Credit Bond Index Trust Fund]	Feeder funds - private equity [Hamilton Lane]	Limited partnership fund [LSV International Value Equity]	Total
Balance - December 31, 2011	$ 17,465,563	$ 9,817,810	$ 8,308,890	$ 38,618,401	$ 4,929,536	$ 14,877,576	$ 94,017,776
Purchases	-	297,324	-	-	2,316,567	60,291	2,674,182
Realized gains	85,424	-	2,229	655,442	-	758,523	1,501,618
Unrealized gains	357,868	883,366	1,221,433	691,641	800,412	860,189	4,814,909
Sales	(540,000)	(136,691)	(6,939)	(11,547,283)	(1,585,761)	(16,556,579)	(30,373,253)
Transfers in/out of Level 3	-	-	-	-	-	-	-
Balance - December 31, 2012	$ 17,368,855	$ 10,861,809	$ 9,525,613	$ 28,418,201	$ 6,460,754	$ -	$ 72,635,232
Purchases	-	-	-	-	766,507	-	766,507
Realized gains	210,784	-	688,826	1,981,479	-	-	2,881,089
Unrealized gains (losses)	1,069,642	1,424,596	3,151,816	(1,905,688)	802,080	-	4,542,446
Sales	(1,440,000)	(136,478)	(1,505,809)	(28,493,992)	(1,848,537)	-	(33,424,816)
Transfers in/out of Level 3	-	-	-	-	-	-	-
Balance - December 31, 2013	$ 17,209,281	$ 12,149,927	$ 11,860,446	$ -	$ 6,180,804	$ -	$ 47,400,458

Continued

2. Investments (continued)

Total net unrealized gains from alternative investment funds for the year ended December 31, 2013 were $4,542,446, of which $6,448,134 net unrealized gains related to assets held at December 31, 2013 and $1,905,688 net unrealized losses related to assets sold during the year ended December 31, 2013.

Total net unrealized gains from alternative investment funds for the year ended December 31, 2012 were $4,814,909, of which $3,954,720 net unrealized gains related to assets held at December 31, 2012 and $860,189 net unrealized gains related to assets sold during the year ended December 31, 2012.

All unrealized gains and losses from the alternative investment funds are included in net investment income in the accompanying statements of activities for the years ended December 31, 2013 and 2012.

The following details the Foundation's ability to redeem investment funds valued at NAV, or its equivalent, as of December 31, 2013 and includes any unfunded commitments of the Foundation to these funds as of December 31, 2013:

	Fair Value	Number of Funds	Unfunded Commitments	Redemption Restrictions
Timberland partnership fund [AmSouth Timber Co.]	$17,209,281	1	None	Investors are not able to redeem their interests during the fund's "investment period" which terminates on December 31, 2016.
Commingled real estate fund [Prime Property Fund]	12,149,927	1	None	All shareholders have the right to request a redemption of shares on a quarterly basis which will be processed for payment at the end of the next calendar quarter.
Commingled fund – State Street Growth Index Common Trust Fund	11,860,446	1	None	None
Feeder funds [Hamilton Lane Secondary Offshore Fund]	6,180,804	4	$2,999,312 outstanding. Such capital commitments are due when called by the fund manager.	Investors are not able to redeem their interests until the end of the limited partnership terms which range from August 5, 2019 ($5,230,973) to December 12, 2023 ($566,459) to October 26, 2026 ($383,372). The terms for all may be extended by the General Partner of the fund for two successive one year terms.
Total	$47,400,458	7	$ 2,999,312	

Continued

2. Investments (continued)

The following details the Foundation's ability to redeem investment funds valued at NAV, or its equivalent, as of December 31, 2012 and includes any unfunded commitments of the Foundation to these funds as of December 31, 2012:

	Fair Value	Number of Funds	Unfunded Commitments	Redemption Restrictions
Timberland partnership fund [AmSouth Timber Co.]	$ 17,368,855	1	None	Investors are not able to redeem their interests during the fund's "investment period" which terminates on December 31, 2016.
Commingled real estate fund [Prime Property Fund]	10,861,809	1	None	All shareholders have the right to request a redemption of shares on a quarterly basis which will be processed for payment at the end of the next calendar quarter.
Commingled fund – State Street Growth Index Common Trust Fund	9,525,613	1	None	None
Commingled fund – State Street Intermediate U.S. Government/Credit Bond Index Trust Fund	28,418,201	1	None	None
Feeder funds [Hamilton Lane Secondary Offshore Fund]	6,460,754	4	$3,388,270 outstanding. Such capital commitments are due when called by the fund manager.	Investors are not able to redeem their interests until the end of the limited partnership terms which range from August 5, 2019 ($6,043,023) to December 12, 2023 ($359,384) to October 26, 2026 ($58,347). The terms for all may be extended by the General Partner of the fund for two successive one year terms.
Total	$72,635,232	8	$ 3,388,270	

Additional redemption restrictions may be exercised at the discretion of the fund manager and are dependent upon available cash of the fund as well as considerations of the fund manager including the protection of the interests of other investors in the fund.

2. Investments (continued)

The fair value and cost of the Foundation's investments are summarized as follows:

	December 31, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Common stock	$ 40,359,761	$ 53,279,379	$ 38,611,123	$44,400,352
Growth index mutual fund [Vanguard]	24,955,557	44,462,179	25,818,757	35,493,766
Institutional mutual fund [Vanguard]	21,578,930	26,420,459	22,720,975	23,575,618
Timberland partnership fund [AmSouth Timber Co.]	13,172,358	17,209,281	14,401,574	17,368,855
Commingled real estate fund [Prime Property Fund]	10,010,734	12,149,927	10,367,503	10,861,809
State Street Growth Index Common Trust Fund	5,402,909	11,860,446	6,219,892	9,525,613
State Street Intermediate U.S. Government/Credit Bond Index Trust Fund	-	-	26,512,513	28,418,201
Equity mutual fund [Lazard]	11,306,248	11,143,090	9,686,937	9,999,567
Feeder funds (private equity investments) [Hamilton Lane Secondary Offshore Fund]	3,121,626	6,180,804	4,203,656	6,460,754
Bond mutual fund	4,971	4,987	4,997	5,100
Money market fund	93,387	93,387	77,595	77,595
Total	$130,006,481	$182,803,939	$158,625,522	$186,187,230

Investment returns are summarized as follows:

	2013	2012
Interest, dividends and other partnership earnings	$ 2,651,943	$ 2,965,174
Realized gains	10,884,481	4,978,645
Unrealized gains	25,235,750	13,480,915
Subtotal	38,772,174	21,424,734
Investment management and consulting fees	(591,420)	(588,865)
Total	$38,180,754	$20,835,869

Included in investment management and consulting fees are the fees of funds in which the Foundation is invested which separately report management fees. Certain of the funds in which the Foundation is invested do not report their management fees.

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3. Grants Payable

The Foundation awards grants to various nonprofit organizations. As of December 31, 2013 and 2012, the Foundation had unconditionally promised to give $4,483,012 and $13,478,830, respectively, in grants which are due to be paid as follows:

	2013	2012
Less than one year	$ 3,885,832	$ 10,055,817
One to five years	597,180	3,423,013
Total	$ 4,483,012	$ 13,478,830

The present value factor of grants payable due in one to five years was not considered significant to the Foundation's financial statements and, accordingly, not recognized in these financial statements.

4. Commitments and Contingencies

Grant Award Commitments

As of December 31, 2013 and 2012, the Foundation had conditionally promised future grant awards totaling $6,743,000 and $9,556,048, respectively, to various organizations. As the amount of the liability for these grant awards is contingent upon the grantees meeting certain requirements, and, in certain instances the future requirements and obligations being defined, these amounts have not been reflected as a liability as of December 31, 2013 and 2012, respectively, in the accompanying financial statements.

Concentration of Credit Risk

The Foundation's cash is comprised of amounts in an account at a financial institution. While the amount at times exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2013, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor, per financial institution, up to $250,000. As of December 31, 2012, the FDIC insured balances of a depositor, per financial institution in interest bearing accounts, up to $250,000 and non-interest bearing accounts at FDIC insured institutions were fully insured with no limit on the balance. The amount held by the Foundation in excess of the FDIC insured limit was $101,568 and $204,727 as of December 31, 2013 and 2012, respectively.

Continued

4. Commitments and Contingencies (continued)

Capital Lease

In January 2011, the Foundation, in partnership with Averett University of Danville (Averett), a third party unrelated to the Foundation, entered into a lease agreement which met the criteria for treatment as a capital lease by the Foundation, for a building in Danville, VA, which the Foundation uses for its office space. The lease was effective January 1, 2011 and has a ten year term with an option to renew for an additional ten years. The lease also affords the Foundation or Averett the right to purchase the property at any time for the remaining unpaid balance of the lessor's loan covering the building. If either or both the Foundation and Averett remain tenants for the full twenty year possible term of the lease and the lessor's loan is fully paid, either the Foundation, Averett or both will have the right to purchase the property for $10.

The lease provides for a base annual rent of $222,000 of which the Foundation is responsible for $73,260. The base annual rent may be adjusted at the beginning of the sixth year of the lease to reflect changes in the interest rate charged by the landlord's lender. Additionally, the Foundation and Averett may mutually revise the allocation of the base rent amongst themselves at any time. The lease gives the Foundation and Averett the right to lease portions of the building to other tenants. Any income generated from such future tenants will be applied to the base rent owed by the Foundation and Averett.

The total building cost was approximately $2.7 million. The Foundation capitalized and included in property and equipment its share of the building cost under the terms of the lease at a cost of $891,000 with accumulated amortization of $92,813 and $48,263 as of December 31, 2013 and 2012, respectively.

As of December 31, 2013, total future minimum annual lease payments under this lease for the Foundation are as follows:

For the Year Ending December 31,	
2014	$ 73,260
2015	73,260
2016	73,260
2017	73,260
2018	73,260
Thereafter	946,274
Total	1,312,574
Less: Amounts representing interest	(475,898)
Total capital lease obligation	$ 836,676

5. Pension Plans

The Foundation offers a defined contribution plan under Section 403(b) of the Internal Revenue Code (IRC). Under the 403(b) plan, eligible employees may elect to contribute up to the federal tax limitation. Eligible employees are those who have worked for the Foundation for at least six months. Any employer contribution is determined at the discretion of the Board of Directors of the Foundation. Pension expense for the years ended December 31, 2013 and 2012 was $68,225 and $75,835, respectively, and is included in salaries and benefits in the accompanying statements of activities.

The Foundation also offers its President and CEO an opportunity to defer compensation pursuant to IRC Section 457(b). Contributions to this plan and to the 403(b) plan on behalf of the Foundation's President and CEO are specified in the Foundation's employment agreement with its President and CEO and are immediately 100% vested. Total contributions to this plan for the years ended December 31, 2013 and 2012 were $15,775 and $16,250, respectively and are included in salaries and benefits in the accompanying statements of activities. As of December 31, 2013 and 2012, the total liability for this plan was $98,374 and $82,696, respectively, and is included in accrued wages and benefits in the accompanying statements of financial position. The Foundation has internally set aside investments equal to the plan's liability.

6. Income Taxes

The Foundation is exempt from federal income taxes under IRC Section 501(c)(3) and has been classified as a private foundation under Section 509(a) of the IRC. As a private foundation, the Foundation is subject to an excise tax of 1% or 2% on its net investment income which excludes unrealized gains and losses. The applicable excise tax rate is dependent upon the amount of qualifying distributions made by the Foundation and additional excise tax penalties may be assessed if certain minimum distributions are not made. It is the Foundation's policy to make annual qualifying distributions in excess of the minimum required.

For the years ended December 31, 2013 and 2012, the Foundation was subject to an excise tax rate of 1% and qualifying distributions in excess of the minimum required were made each year.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

Continued

6. Income Taxes (continued)

As of December 31, 2013 and 2012, the Foundation calculated its deferred tax liability using an excise tax rate of 2% and 1%, respectively, representing the excise tax rate the Foundation expects to be subject to in the following year. The deferred excise tax liability of $1,055,914 and $273,347 as of December 31, 2013 and 2012, respectively, represents the federal excise tax on the net unrealized appreciation on investments.

The Foundation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the years ended December 31, 2013 and 2012, management did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of December 31, 2013, tax years considered open and subject to examination include returns for the years ended December 31, 2010 through 2012.

7. Subsequent Events

The Foundation's management has evaluated subsequent events through December 1, 2014, the date the financial statements were available to be issued. There were no subsequent events identified through December 1, 2014 required to be disclosed in these financial statements.