Financial Statements

For The Years Ended December 31, 2011 and 2010

and

Report Thereon
INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of the
Danville Regional Foundation

We have audited the accompanying statements of financial position of the Danville Regional Foundation (the Foundation) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation’s management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RAFFA, P.C.

Washington, DC
August 20, 2012
### DANVILLE REGIONAL FOUNDATION

#### STATEMENTS OF FINANCIAL POSITION

**December 31, 2011 and 2010**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,348,366</td>
<td>$1,120,974</td>
</tr>
<tr>
<td>Investments</td>
<td>$176,785,724</td>
<td>$186,052,264</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$35,081</td>
<td>$21,787</td>
</tr>
<tr>
<td>Federal excise tax receivable</td>
<td>$20,999</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment, net of accumulated depreciation and amortization of $111,489 and $87,487, respectively</td>
<td>$1,020,060</td>
<td>$21,441</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$179,210,230</td>
<td>$187,216,466</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$485,097</td>
<td>$241,945</td>
</tr>
<tr>
<td>Grants payable</td>
<td>$16,404,429</td>
<td>$9,707,382</td>
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<td>Capital lease obligation</td>
<td>$888,943</td>
<td>-</td>
</tr>
<tr>
<td>Federal excise tax payable</td>
<td>-</td>
<td>$15,820</td>
</tr>
<tr>
<td>Federal deferred excise tax</td>
<td>$138,538</td>
<td>$216,257</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>17,917,007</td>
<td>10,181,404</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$161,293,223</td>
<td>$177,035,062</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$161,293,223</td>
<td>$177,035,062</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$179,210,230</td>
<td>$187,216,466</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### DANVILLE REGIONAL FOUNDATION

**STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2011 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE AND SUPPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income, net of investment expenses of $681,267 and $580,746 for 2011 and 2010, respectively</td>
<td>$165,764</td>
<td>$21,229,172</td>
</tr>
<tr>
<td>Other</td>
<td>3,093</td>
<td>4,285</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE AND SUPPORT</strong></td>
<td>168,857</td>
<td>21,233,457</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsive grant-making</td>
<td>11,154,128</td>
<td>8,315,023</td>
</tr>
<tr>
<td>Special opportunities</td>
<td>1,347,843</td>
<td>90,000</td>
</tr>
<tr>
<td>Foundation initiated</td>
<td>565,443</td>
<td>300,000</td>
</tr>
<tr>
<td>Make it happen</td>
<td>291,132</td>
<td>54,900</td>
</tr>
<tr>
<td>President's discretionary fund</td>
<td>100,438</td>
<td>41,623</td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>13,458,984</td>
<td>8,801,546</td>
</tr>
</tbody>
</table>

| Supporting Services: |                 |                 |
| Salaries and benefits | 1,289,424     | 1,102,464       |
| Professional fees    | 783,839        | 268,378         |
| Promotional fees     | 69,914         | 28,273          |
| Special events       | 52,925         | 24,860          |
| Occupancy            | 51,352         | 62,400          |
| Miscellaneous        | 43,282         | 17,140          |
| Insurance            | 32,097         | 47,405          |
| Dues and subscriptions | 30,870       | 36,224          |
| Depreciation and amortization | 24,002 | 22,738          |
| Meetings             | 23,296         | 34,487          |
| Telephone            | 22,373         | 22,283          |
| Office supplies      | 14,523         | 10,151          |
| Travel               | 7,527          | 7,792           |
| Postage              | 2,916          | 2,370           |
| **Total General and Administrative** | 2,448,340     | 1,686,965       |

| Provision (benefit) for federal excise tax |                 |                 |
| Federal excise taxes | 81,091         | 120,410         |
| Deferred federal excise taxes | (77,719) | 85,771          |
| **Total Provision for Federal Excise Tax** | 3,372           | 206,181         |

| **TOTAL EXPENSES** | 15,910,696 | 10,694,692 |
| **Change in Unrestricted Net Assets** | (15,741,839) | 10,538,765 |

| **NET ASSETS, BEGINNING OF YEAR** | 177,035,062 | 166,496,297 |
| **NET ASSETS, END OF YEAR** | $161,293,223 | $177,035,062 |

The accompanying notes are an integral part of these financial statements.
DANVILLE REGIONAL FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets                                      $ (15,741,839)           $ 10,538,765

Adjustments to reconcile change in net assets to net cash used in operating activities

Realized gains on investments                             (5,076,956)             (3,547,878)
Unrealized losses (gains) on investments                  7,771,958               (15,119,893)
Depreciation and amortization                             24,002                  22,738
Provision for deferred federal excise tax (benefit) expense (77,719)            85,771

Changes in assets and liabilities:

Accrued interest receivable                               -                      55,293
Prepaid expenses                                          (13,294)               33,702
Federal excise tax receivable                             (20,999)                34,590
Accounts payable and accrued expenses                    243,152                 4,295
Grants payable                                            6,697,047               5,385,116
Federal excise tax payable                                (15,820)               15,820

NET CASH USED IN OPERATING ACTIVITIES                     (6,210,468)             (2,491,681)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of investments                                (30,991,951)           (81,948,729)
Proceeds from the sale of investments                     37,563,489              83,066,706
Acquisition of property and equipment                    (131,621)               -

NET CASH PROVIDED BY INVESTING ACTIVITIES                 6,439,917                1,117,977

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments under capital lease obligation          (2,057)                 -

NET CASH USED IN FINANCING ACTIVITIES                      (2,057)                 -

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS       227,392                 (1,373,704)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

1,120,974                                                 2,494,678

CASH AND CASH EQUIVALENTS, END OF YEAR

$ 1,348,366                                               $ 1,120,974

SUPPLEMENTAL CASH FLOW INFORMATION

Actual cash payments for excise taxes                      $ 117,910                $ 70,000
Actual cash payments for interest                         $ 4,048                  $ -

NONCASH FINANCING ACTIVITIES

Building purchased under a capital lease                   $ (891,000)              -
Obligation incurred under a capital lease                   891,000                  -

Net Cash Outlay                                           $ -                      $ -

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) was incorporated 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 seven 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 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 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), a limited partnership fund which is invested in industrial grade timberland properties (AmSouth Timber Company), a limited partnership fund which is invested in various domestic and international equities (LSV International Value Equity), a commingled real estate investment fund (Prime Property Fund) and two foreign feeder funds in a master-feeder structure invested in equity related investments in private equity partnerships (Hamilton Lane Secondary Offshore Fund). These investments are recorded in the accompanying financial statements at their fair value, as provided by the investment custodian. 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
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1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

The commingled funds consist of government credit bond index funds 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 funds are valued at their respective net asset value per share/unit as of December 31st. Additionally, certain of these funds’ investments in collective investment funds participate in securities lending. 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 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 limited partnership fund consists of domestic and foreign securities valued at the last reported sales price or the latest bid quotation. Foreign securities are translated at each valuation date from the local currency into U.S. dollars using current exchange rates. 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.
1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)
The foreign feeder 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.

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 and for the years ended December 31, 2011 and 2010, 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.
1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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. These inputs reflect assumptions by management of the Foundation about the assumptions a market participant would use in pricing the asset or liability. 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 that lead to a determination of a fair value at a different amount.

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.

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 five 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.
2. **Investments**

The following table summarizes the Foundation’s investments at fair value as of December 31, 2011:

<table>
<thead>
<tr>
<th>Common stock:</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer discretionary</td>
<td>$6,354,125</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Financial</td>
<td>6,060,708</td>
<td>6,060,708</td>
<td>-</td>
</tr>
<tr>
<td>American depository receipt</td>
<td>5,950,238</td>
<td>5,950,238</td>
<td>-</td>
</tr>
<tr>
<td>Information technology</td>
<td>5,473,844</td>
<td>5,473,844</td>
<td>-</td>
</tr>
<tr>
<td>Health care</td>
<td>4,916,838</td>
<td>4,916,838</td>
<td>-</td>
</tr>
<tr>
<td>Industrials</td>
<td>4,046,042</td>
<td>4,046,042</td>
<td>-</td>
</tr>
<tr>
<td>Energy</td>
<td>3,054,201</td>
<td>3,054,201</td>
<td>-</td>
</tr>
<tr>
<td>Materials</td>
<td>1,976,809</td>
<td>1,976,809</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,714,306</td>
<td>1,714,306</td>
<td>-</td>
</tr>
<tr>
<td>Consumer staples</td>
<td>1,026,766</td>
<td>1,026,766</td>
<td>-</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>219,390</td>
<td>219,390</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total common stock</strong></td>
<td><strong>40,793,267</strong></td>
<td><strong>40,793,267</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td>State Street Intermediate U.S. Government/Credit Bond Index Trust Fund</td>
<td>38,618,401</td>
<td>-</td>
<td>38,618,401</td>
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<tr>
<td>State Street Growth Index</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Common Trust Fund</td>
<td>8,308,890</td>
<td>-</td>
<td>8,308,890</td>
</tr>
<tr>
<td>Growth index mutual fund</td>
<td>33,314,501</td>
<td>33,314,501</td>
<td>-</td>
</tr>
<tr>
<td>Timberland partnership fund [AmSouth Timber Co.]</td>
<td>17,465,563</td>
<td>-</td>
<td>17,465,563</td>
</tr>
<tr>
<td>Limited partnership fund [equity securities] [LSV International Value Equity]</td>
<td>14,877,576</td>
<td>-</td>
<td>14,877,576</td>
</tr>
<tr>
<td>Commingled real estate fund [Prime Property Fund]</td>
<td>9,817,810</td>
<td>-</td>
<td>9,817,810</td>
</tr>
<tr>
<td>Equity mutual fund</td>
<td>8,593,878</td>
<td>-</td>
<td>8,593,878</td>
</tr>
<tr>
<td>Offshore feeder funds (2 funds – private equity investments) [Hamilton Lane]</td>
<td>4,929,536</td>
<td>-</td>
<td>4,929,536</td>
</tr>
<tr>
<td>Bond mutual fund</td>
<td>4,983</td>
<td>4,983</td>
<td>-</td>
</tr>
<tr>
<td>Money market holdings</td>
<td>61,319</td>
<td>61,319</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>176,785,724</strong></td>
<td><strong>74,174,070</strong></td>
<td><strong>8,593,878</strong></td>
</tr>
</tbody>
</table>
2. **Investments (continued)**

The following table summarizes the Foundation’s investments at fair value as of December 31, 2010:

<table>
<thead>
<tr>
<th>Common stock:</th>
<th>Quoted Prices in Active Markets for Identical Assets</th>
<th>Significant Other Observable Inputs</th>
<th>Significant Unobservable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer discretionary</td>
<td>$6,259,720</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Financial</td>
<td>7,205,623</td>
<td>7,205,623</td>
<td>-</td>
</tr>
<tr>
<td>American depository receipt</td>
<td>5,677,660</td>
<td>5,677,660</td>
<td>-</td>
</tr>
<tr>
<td>Information technology</td>
<td>6,801,354</td>
<td>6,801,354</td>
<td>-</td>
</tr>
<tr>
<td>Health care</td>
<td>4,681,544</td>
<td>4,681,544</td>
<td>-</td>
</tr>
<tr>
<td>Industrials</td>
<td>4,349,365</td>
<td>4,349,365</td>
<td>-</td>
</tr>
<tr>
<td>Energy</td>
<td>3,822,957</td>
<td>3,822,957</td>
<td>-</td>
</tr>
<tr>
<td>Materials</td>
<td>2,567,719</td>
<td>2,567,719</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,490,238</td>
<td>1,490,238</td>
<td>-</td>
</tr>
<tr>
<td>Consumer staples</td>
<td>1,447,831</td>
<td>1,447,831</td>
<td>-</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>187,572</td>
<td>187,572</td>
<td>-</td>
</tr>
<tr>
<td>Total common stock</td>
<td>44,491,583</td>
<td>44,491,583</td>
<td>-</td>
</tr>
<tr>
<td>State Street Intermediate U.S.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government/Credit Bond Index</td>
<td>37,163,993</td>
<td>-</td>
<td>37,163,993</td>
</tr>
<tr>
<td>Growth Index</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Street Growth Index</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Trust Fund</td>
<td>8,570,977</td>
<td>-</td>
<td>8,570,977</td>
</tr>
<tr>
<td>Growth index mutual fund</td>
<td>36,181,323</td>
<td>36,181,323</td>
<td>-</td>
</tr>
<tr>
<td>Timberland partnership fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[AmSouth Timber Co.]</td>
<td>18,374,970</td>
<td>-</td>
<td>18,374,970</td>
</tr>
<tr>
<td>Limited partnership fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(equity securities) [LSV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Value Equity]</td>
<td>17,337,291</td>
<td>-</td>
<td>17,337,291</td>
</tr>
<tr>
<td>Commingled real estate fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity mutual fund</td>
<td>11,626,110</td>
<td>11,626,110</td>
<td>-</td>
</tr>
<tr>
<td>Offshore feeder fund (private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equity investments)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Hamilton Lane]</td>
<td>3,817,190</td>
<td>-</td>
<td>3,817,190</td>
</tr>
<tr>
<td>Bond mutual fund</td>
<td>4,628</td>
<td>4,628</td>
<td>-</td>
</tr>
<tr>
<td>Money market holdings</td>
<td>44,797</td>
<td>44,797</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$186,052,264</td>
<td>$80,722,331</td>
<td>$11,626,110</td>
</tr>
</tbody>
</table>

Continued

- 10 -
2. Investments (continued)

The following table represents a roll forward of the fair value measurements as of December 31, 2011 and 2010 using significant unobservable inputs (Level 3):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance - December 31, 2009</strong></td>
<td>$37,948,811</td>
<td>$6,644,899</td>
<td>$19,451,775</td>
<td>$16,178,176</td>
<td>$7,329,108</td>
<td>$1,148,714</td>
<td>$88,701,483</td>
</tr>
<tr>
<td><strong>Purchases</strong></td>
<td>17,269,515</td>
<td>46,991</td>
<td>-</td>
<td>562,604</td>
<td>-</td>
<td>2,452,322</td>
<td>20,331,432</td>
</tr>
<tr>
<td><strong>Realized gains (losses)</strong></td>
<td>705,364</td>
<td>815</td>
<td>74,386</td>
<td>(2,563,610)</td>
<td>-</td>
<td>-</td>
<td>(1,783,045)</td>
</tr>
<tr>
<td><strong>Unrealized gains (losses)</strong></td>
<td>343,084</td>
<td>1,882,256</td>
<td>487,459</td>
<td>3,276,542</td>
<td>1,187,713</td>
<td>410,253</td>
<td>7,587,307</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>(19,102,781)</td>
<td>(3,984)</td>
<td>(1,638,650)</td>
<td>(116,421)</td>
<td>(77,419)</td>
<td>(194,099)</td>
<td>(21,133,354)</td>
</tr>
<tr>
<td><strong>Transfers in/out of Level 3</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance - December 31, 2010</strong></td>
<td>$37,163,993</td>
<td>$8,570,977</td>
<td>$18,374,970</td>
<td>$17,337,291</td>
<td>$8,439,402</td>
<td>$3,817,190</td>
<td>$93,703,823</td>
</tr>
<tr>
<td><strong>Purchases</strong></td>
<td>930,990</td>
<td>52,298</td>
<td>-</td>
<td>666,997</td>
<td>352,757</td>
<td>1,089,670</td>
<td>3,092,712</td>
</tr>
<tr>
<td><strong>Realized gains (losses)</strong></td>
<td>21,937</td>
<td>1,717</td>
<td>35,167</td>
<td>357,630</td>
<td>-</td>
<td>-</td>
<td>416,451</td>
</tr>
<tr>
<td><strong>Unrealized gains (losses)</strong></td>
<td>1,174,198</td>
<td>(309,270)</td>
<td>(224,574)</td>
<td>(3,354,112)</td>
<td>1,137,830</td>
<td>710,307</td>
<td>(865,621)</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>(672,717)</td>
<td>(6,832)</td>
<td>(720,000)</td>
<td>(130,230)</td>
<td>(112,179)</td>
<td>(687,631)</td>
<td>(2,329,589)</td>
</tr>
<tr>
<td><strong>Transfers in/out of Level 3</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance - December 31, 2011</strong></td>
<td>$38,618,401</td>
<td>$8,308,890</td>
<td>$17,465,563</td>
<td>$14,877,576</td>
<td>$9,817,810</td>
<td>$4,929,536</td>
<td>$94,017,776</td>
</tr>
</tbody>
</table>
2. Investments (continued)

The total net unrealized losses of $865,621 for the year ended December 31, 2011 and unrealized gains of $7,587,307 for the year ended December 31, 2010 from the Foundation’s alternative investment funds were from the alternative investment funds, each of which was held by the Foundation as of December 31, 2011 and 2010. All such unrealized losses and gains from the alternative investment funds are included in net investment income in the accompanying statements of activities for the years ended December 31, 2011 and 2010.

The following details the Foundation’s ability to redeem investment funds valued at NAV, or its equivalent, as of December 31, 2011 and includes any unfunded commitments of the Foundation to these funds as of December 31, 2011:

<table>
<thead>
<tr>
<th>Funds</th>
<th>Fair Value</th>
<th>Number of Funds</th>
<th>Unfunded Commitments</th>
<th>Redemption Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commingled fund – State Street Intermediate U.S. Government/Credit Bond Index Trust Fund</td>
<td>$38,618,401</td>
<td>1</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Commingled fund – State Street Growth Index Common Trust Fund</td>
<td>8,308,890</td>
<td>1</td>
<td>None</td>
<td>Maximum of 4% of the Foundation’s interest may be withdrawn per month.</td>
</tr>
<tr>
<td>Timberland partnership fund [AmSouth Timber Co.]</td>
<td>17,465,563</td>
<td>1</td>
<td>None</td>
<td>Investors are not able to redeem their interests during the fund’s “investment period” which terminates on December 31, 2016.</td>
</tr>
<tr>
<td>Limited partnership fund [LSV International Value Equity]</td>
<td>14,877,576</td>
<td>1</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Commingled real estate fund [Prime Property Fund]</td>
<td>9,817,810</td>
<td>1</td>
<td>None</td>
<td>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.</td>
</tr>
<tr>
<td>Offshore feeder funds [Hamilton Lane Secondary Offshore Fund]</td>
<td>4,929,536</td>
<td>2</td>
<td>$3,145,420 outstanding as of December 31, 2011. Such capital commitments are due when called by the fund manager.</td>
<td>Investors are not able to redeem their interests until August 5, 2019 and the term may be extended by the General Partner of the fund for two successive one year terms.</td>
</tr>
<tr>
<td>Total</td>
<td>$94,017,776</td>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Investments (continued)

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.

The equity mutual fund in which the Foundation held an interest as of December 31, 2011 and 2010 is a publicly traded fund. The fund’s fair value input level was classified as “level 2” as of December 31, 2011 and 2010 as the fund is not open to new investors and not considered to be actively traded. The valuation as of December 31, 2011 and 2010 was based upon the market value approach as published trading values were available for this fund.

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

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Common stock</td>
<td>$37,276,637</td>
<td>$40,793,267</td>
</tr>
<tr>
<td>State Street Intermediate U.S.</td>
<td>37,404,354</td>
<td>38,618,401</td>
</tr>
<tr>
<td>Bond Index Trust Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Street Growth Index</td>
<td>6,224,602</td>
<td>8,308,890</td>
</tr>
<tr>
<td>Common Trust Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth index mutual fund</td>
<td>27,773,211</td>
<td>33,314,501</td>
</tr>
<tr>
<td>Timberland partnership fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[AmSouth Timber Co.]</td>
<td>14,856,150</td>
<td>17,465,563</td>
</tr>
<tr>
<td>Limited partnership fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(equity securities) [LSV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Value Equity]</td>
<td>15,737,765</td>
<td>14,877,576</td>
</tr>
<tr>
<td>Commingled real estate fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity mutual fund</td>
<td>9,686,367</td>
<td>8,593,878</td>
</tr>
<tr>
<td>Offshore feeder funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(private equity investments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Hamilton Lane Secondary Offshore Fund]</td>
<td>3,472,850</td>
<td>4,929,536</td>
</tr>
<tr>
<td>Bond mutual fund</td>
<td>4,806</td>
<td>4,983</td>
</tr>
<tr>
<td>Money market fund</td>
<td>61,319</td>
<td>61,319</td>
</tr>
<tr>
<td>Total</td>
<td>$162,930,294</td>
<td>$176,785,724</td>
</tr>
</tbody>
</table>
2. Investments (continued)

Investment returns are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest, dividends and other partnership earnings</td>
<td>$3,541,040</td>
<td>$3,140,505</td>
</tr>
<tr>
<td>Realized gains</td>
<td>5,076,956</td>
<td>3,547,878</td>
</tr>
<tr>
<td>Unrealized (losses) gains</td>
<td>(7,771,958)</td>
<td>15,119,893</td>
</tr>
<tr>
<td>Subtotal</td>
<td>846,038</td>
<td>21,808,276</td>
</tr>
<tr>
<td>Investment management and consulting fees</td>
<td>(681,267)</td>
<td>(580,746)</td>
</tr>
<tr>
<td>Total</td>
<td>$164,771</td>
<td>$21,227,530</td>
</tr>
</tbody>
</table>

Also included in investment income in the accompanying statements of activities is the interest of $993 and $1,642 earned on cash and cash equivalents for the years ended December 31, 2011 and 2010, respectively.

3. Grants Payable

The Foundation awards grants to various nonprofit organizations. As of December 31, 2011 and 2010, the Foundation had unconditionally promised to give $16,404,429 and $9,707,382, respectively, in grants which are due to paid as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$8,580,203</td>
<td>$5,360,538</td>
</tr>
<tr>
<td>One to five years</td>
<td>7,824,226</td>
<td>4,346,844</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,404,429</strong></td>
<td><strong>$9,707,382</strong></td>
</tr>
</tbody>
</table>

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, 2011 and 2010, the Foundation had conditionally promised future grant awards totaling $1,343,000 and $11,178,400, respectively, to various organizations. As the amount of the liability for these grant awards is contingent upon the grantees meeting certain requirements, these amounts have not been reflected as a liability as of December 31, 2011 and 2010, respectively, in the accompanying financial statements.
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 $3,713 as of December 31, 2011.

As of December 31, 2011, total future minimum annual lease payments under this lease for the Foundation are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>73,260</td>
</tr>
<tr>
<td>2013</td>
<td>73,260</td>
</tr>
<tr>
<td>2014</td>
<td>73,260</td>
</tr>
<tr>
<td>2015</td>
<td>73,260</td>
</tr>
<tr>
<td>2016</td>
<td>73,260</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,092,794</td>
</tr>
<tr>
<td>Total</td>
<td>1,459,094</td>
</tr>
<tr>
<td>Less: Amounts representing interest</td>
<td>(570,151)</td>
</tr>
<tr>
<td>Total capital lease obligation</td>
<td>$ 888,943</td>
</tr>
</tbody>
</table>
5. Pension Plans

Effective January 1, 2007, the Foundation offers a defined contribution plan under Section 403(b) of the Internal Revenue Code. 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, 2011 and 2010 was $68,690 and $65,955, 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 section 457(b) of the Internal Revenue Code. The plan was effective January 1, 2008 and the participant is immediately 100% vested. 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. Total contributions to this plan were $16,500 for the years ended December 31, 2011 and 2010.

6. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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, 2011 and 2010, the Foundation was subject to an excise tax rate of 1% and 2%, respectively, though qualifying distributions in excess of the minimum required were made each year.

The federal excise tax expense of $81,091 and $120,410 for the years ended December 31, 2011 and 2010, respectively, represents current excise taxes. As of December 31, 2011, the Foundation had a federal excise tax receivable of $20,999 and as of December 31, 2010, the Foundation had a federal excise tax payable of $15,820.

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.
6. **Income Taxes (continued)**

As of December 31, 2011 and 2010, the Foundation calculated its deferred tax liability using an excise tax rate of 1%, representing the excise tax rate the Foundation expects to be subject to in the following year. The deferred excise tax liability of $138,538 and $216,257 as of December 31, 2011 and 2010, 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, 2011 and 2010, management did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of December 31, 2011, tax years considered open and subject to examination include returns for the years ended December 31, 2008 through 2010.

7. **Subsequent Events**

The Foundation’s management has evaluated subsequent events through August 20, 2012, the date the financial statements were available to be issued. There were no subsequent events identified through August 20, 2012 required to be disclosed in these financial statements.