PIEDMONT COMMUNITY FOUNDATION

Middleburg, Virginia

FINANCIAL REPORT
(Reviewed)

DECEMBER 31, 2011

C O N T E N T S

Yount
Hyde &
Barbour
Certified Public Accountants
and Consultants

Culpeper Leesburg Middleburg Richmond Winchester

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Piedmont Community Foundation
Middleburg, Virginia

We have reviewed the accompanying statements of financial position of Piedmont Community Foundation as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Foundation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for it to be in conformity with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
April 16, 2012

Connecting depth and insight with community values

50 South Cameron Street Winchester, VA 22601 (540) 662-3417 Fax: (540) 662-4211 www.yhbcpa.com

PIEDMONT COMMUNITY FOUNDATION

Statements of Financial Position
December 31, 2011 and 2010
See Accountant's Review Report

Assets	**2011**	**2010**
Cash and cash equivalents	$ 319,671	$ 276,404
Contributions receivable, net	18,250	10,775
Prepaid expense	979	979
Investments, at fair value	719,877	635,407
Property and equipment, net	- -	- -
Total assets	$ 1,058,777	$ 923,565

Liabilities		
Accrued expenses	$ 2,209	$ 2,833
Agency endowment funds	207,377	154,300
Total liabilities	$ 209,586	$ 157,133

Net Assets		
Unrestricted net assets:		
Community endowment	$ 96,671	$ 96,011
Donor advised endowment	114,940	103,293
Donor advised temporarily available	255,638	246,005
Designated endowment	243,499	241,018
Field of interest endowment	62,001	47,226
Unrestricted - designated	18,296	15,186
Unrestricted	58,146	17,693
Total unrestricted net assets	$ 849,191	$ 766,432
Total liabilities and net assets	$ 1,058,777	$ 923,565

See Notes to Financial Statements.

PIEDMONT COMMUNITY FOUNDATION

Statements of Activities
For the Years Ended December 31, 2011 and 2010
See Accountant's Review Report

	2011	2010
Revenues and Gains (Losses):		
Contributions	$ 354,589	$ 337,054
Contributions, in-kind	1,100	900
Interest and dividend income	21,089	18,158
Net unrealized and realized (loss) gain on investments	(4,265)	19,641
Total revenues and gains	$ 372,513	$ 375,752
Expenses:		
Grants and distributions	$ 180,131	$ 92,123
Program services	81,514	79,372
Supporting services:		
Accounting and legal	7,230	5,563
Fundraising	8,646	5,076
General and administrative	10,713	10,663
Occupancy	1,520	1,529
Total expenses	$ 289,754	$ 194,326
Change in net assets	$ 82,759	$ 181,426
Net assets, beginning of year	766,432	585,006
Net assets, at end of year	$ 849,191	$ 766,432

See Notes to Financial Statements.

PIEDMONT COMMUNITY FOUNDATION

Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010
See Accountant's Review Report

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ 82,759	$ 181,426
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial (gain) on annuity obligations		
Net realized and unrealized loss (gain) on investments	4,265	(19,641)
Donated value of investment securities	(16,968)	(5,627)
Changes in assets and liabilities:		
(Increase) in contribution receivable	(7,475)	(10,775)
Decrease in prepaid expenses	- -	846
(Decrease) increase in accounts payable	(624)	164
Net cash provided by operating activities	$ 61,957	$ 146,393
Cash Flows from Investing Activities		
Proceeds from sale of investments	$ 34,354	$ 12,275
Purchase of property and equipment		
Purchase of investment securities	(106,121)	(83,469)
Increase in agency endowment fund	53,077	15,901
Net cash (used in) investing activities	$ (18,690)	$ (55,293)
Net increase in cash and cash equivalents	$ 43,267	$ 91,100
Cash and Cash Equivalents		
Beginning	276,404	185,304
Ending	$ 319,671	$ 276,404
Supplemental Disclosure of Cash Flow Information, in-kind contributions	$ 1,100	$ 900

See Notes to Financial Statements.

Note 1. Nature of Business

Piedmont Community Foundation (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Foundation is responsible for charitable funds and the income generated by the funds. The Foundation is committed to facilitating charitable giving in order to meet the ever-changing needs of the community of northern Virginia, focusing on the counties of Loudoun and Fauquier. The Foundation is committed to the growth of an endowment as the most effective means to meet the needs of the community.

Note 2. Significant Accounting Policies

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Fair Value of Financial Instruments

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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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

For the fiscal years ended December 31, 2011 and 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The carrying amounts of the Foundation's financial instruments not described above arise in the ordinary course of business and approximate fair value.

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Foundation's cash is maintained at a bank in Middleburg, Virginia and a brokerage account in Virginia. The Foundation's total amount of cash on deposit, at times may exceed federally insured limits. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Foundation has adopted the Standard that requires investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment

All purchases of property and equipment have been recorded at cost. Property and equipment that is donated to the Foundation is stated at its fair market value at the time of donation. Depreciation is determined by the straight-line method. Estimated useful life for computer equipment is five years. Property and equipment is fully depreciated as of December 31, 2011 and 2010.

Agency Endowment Funds

The Foundation follows the Standard that establishes standards for transactions in which a community foundation accepts a contribution from a charitable agency donor and agrees to transfer those assets, the return on investment of those assets or both back to the charitable agency donor. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. Liability accounts have been established for these funds.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Note 3. Net Assets

The Foundation follows the Standard that provides that if the governing body of an organization has the ability to remove a donor restriction (i.e. variance power), the contribution should be classified as an unrestricted asset. Accordingly, such assets are classified in the accompanying financial statements as unrestricted net assets. This classification does not alter the long-standing policy of the Foundation to distribute assets entrusted to the Foundation in accordance with the intentions of the Foundation's donors.

The Standard requires the Foundation to report information regarding its financial position and activities in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted – based upon the existence or absence of donor-imposed restrictions.

Although the Foundation uses this accounting standard for financial reporting purposes, the Foundation continues to maintain donated assets in individual component funds established primarily by donors. Management of the Foundation believes that this framework classifies the Foundation's resources into funds established in accordance with the Foundation's objectives and ensures the observance of donor intentions. Grants charged to the individual funds are directed to purposes identified by donors and the Foundation's Board of Directors.

Unrestricted net assets - All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance provision gives the Board of Directors (the "Board") the power to modify any restriction or condition placed on gifts to the Foundation that is incapable of fulfillment or is no longer consistent with the charitable needs of the community. The Foundation's governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of the principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of the Board and trustee holding each fund. As a result of the variance power, contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets. In addition, should the Foundation receive contributions with donor-imposed restrictions that are met during the same fiscal year as the contribution is made, these contributions would be included as unrestricted support that increases unrestricted net assets. As of December 31, 2011 and 2010, all Foundation net assets are classified as unrestricted. It is expected that future net assets may have a temporary or permanent restriction as defined below.

Temporarily restricted net assets – These are subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Such assets may consist primarily of contributions received under split-interest agreements wherein the Foundation or third party serves as trustee. The Foundation does not have any temporarily restricted net assets as of December 31, 2011 or 2010.

Permanently restricted net assets – These are subject to donor-imposed restrictions that will be maintained in perpetuity. The investment income generated from these assets would be available for general support of the Foundation's programs and operations. Such assets may consist of contributions from related activity of perpetual trusts by third parties. The Foundation does not have any permanently restricted net assets as of December 31, 2011 or 2010.

Note 4. Investments

Investments are carried at fair value and realized and unrealized gains and losses are reported in the statement of activities. Investments received by gift are recorded at market value at the date of the donation. Long-term investments, including endowment as well as other funds, as of December 31, 2011 and 2010 were as follows:

	December 31, 2011		
Summary by Type of Investment	**Cost**	**Fair Market Value**	**Unrealized Appreciation (Depreciation)**
Mutual funds	$ 794,785	$ 719,877	$ (74,908)

	December 31, 2010		
Summary by Type of Investment	**Cost**	**Fair Market Value**	**Unrealized Appreciation (Depreciation)**
Mutual funds	$ 704,359	$ 635,407	$ (68,952)

Note 5. Property and Equipment

At December 31, 2011 and 2010, the property and equipment consisted of the following:

	2011	**2010**
Computer equipment	$ 1,890	$ 1,890
Less accumulated depreciation	(1,890)	(1,890)
	$ - -	$ - -

Note 6. Funds Held as Agency Endowments

The following table summarizes activity in agency endowment funds for the years ended December 31, 2011 and 2010:

	2011	2010
Agency endowment funds at the beginning of the year	$ 154,300	$ 138,399
Gifts	52,563	7,683
Unrealized (loss) gain	(2,178)	6,684
Net investment income	4,831	3,542
Distributions	(2,139)	(2,008)
Agency endowment funds at the end of the year	$ 207,377	$ 154,300

Note 7. Administrative Income

During the years ended December 31, 2011 and 2010, the Foundation's policy was to assess each fund a fee of one percent of its market value. Such amounts are transferred to an unrestricted discretionary fund to offset administrative costs. This inter-fund entry is eliminated for the financial statement presentation.

Note 8. Contributed Services

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received $1,100 and $900 of contributed services and expenses for accounting services during the years ended December 31, 2011 and 2010, respectively, which are included in the statement of activities.

Note 9. Legacies Not Yet Recognizable

The Foundation is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts will be recognized in the financial statements when clear title is established and the proceeds are measurable.

Note 10. Fair Value of Financial Measurements

The following table presents the balance of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Level 3
Mutual Funds - 2011	$ 719,877	$ --	$ --
Mutual Funds - 2010	$ 635,407	$ --	$ --

Note 11. Financial Statement Presentation

The Statement of Activities and the Statement of Cash Flows as of December 31, 2010 has been modified to conform to the presentation adopted for the December 31, 2011 amounts. There is no effect on the change in net assets as a result of this modification of presentation.

Note 12. Subsequent Events

The Foundation has evaluated all subsequent events through April 16, 2012, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.