

Community Foundation of the Virgin Islands, Inc.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

Community Foundation of the Virgin Islands, Inc.

FINANCIAL STATEMENTS

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Jeanne Brennan, LLC
Certified Public Accountant

Jeanne Brennan Wiebracht, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Community Foundation of the Virgin Islands, Inc.

I have audited the accompanying financial statements of Community Foundation of the Virgin Islands, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of the Virgin Islands, Inc. as of December 31, 2012 and 2011, 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.

Jeanne Brennan, LLC

St. Thomas, USVI
October 29, 2013

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Community Foundation of the Virgin Islands, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 251,271	\$ 130,036
INVESTMENTS, at fair market value	7,304,423	6,706,184
UNCONDITIONAL PROMISES TO GIVE	105,019	58,405
GRANTS RECEIVABLE	45,166	23,583
PROPERTY AND EQUIPMENT, net	2,108	2,502
OTHER ASSETS	5,744	3,035
INTEREST RECEIVABLE	<u>17,910</u>	<u>20,802</u>
Total assets	<u>\$ 7,731,641</u>	<u>\$ 6,944,548</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 8,992	\$ 4,671
Total liabilities	<u>8,992</u>	<u>4,671</u>
NET ASSETS		
Unrestricted		
Operating funds	2,315,044	2,072,325
Donor advised funds	2,472,225	2,308,052
Total unrestricted net assets	<u>4,787,269</u>	<u>4,380,377</u>
Temporarily restricted net assets	2,553,043	2,177,163
Permanently restricted net assets	382,337	382,337
Total net assets	<u>7,722,649</u>	<u>6,939,877</u>
Total liabilities and net assets	<u>\$ 7,731,641</u>	<u>\$ 6,944,548</u>

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

Community Foundation of the Virgin Islands, Inc.

STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

Years ended December 31, 2012 and 2011

	2012				2011			
	UNRESTRICTED FUND	TEMPORARILY RESTRICTED FUND	PERMANENTLY RESTRICTED FUND	ALL FUNDS	UNRESTRICTED FUND	TEMPORARILY RESTRICTED FUND	PERMANENTLY RESTRICTED FUND	ALL FUNDS
Public support and revenues								
Grants and contributions	\$ 409,214	\$ 540,907	\$ -	\$ 950,120	\$ 406,723	\$ 407,343	\$ -	\$ 814,066
Fund contributions	126,274	866,610	-	992,883	302,513	658,591	-	961,104
Investment return	550,738	259,290	-	810,027	(104,865)	(60,187)	-	(165,053)
Donated services	42,565	2,872	-	45,437	12,865	25,329	-	38,194
Total public support and revenues	<u>1,128,790</u>	<u>1,669,678</u>	<u>-</u>	<u>2,798,468</u>	<u>617,235</u>	<u>1,031,076</u>	<u>-</u>	<u>1,648,311</u>
Program services								
Education	555,208	-	-	555,208	594,034	-	-	594,034
Community	388,903	-	-	388,903	510,657	-	-	510,657
Children and families	175,195	-	-	175,195	247,083	-	-	247,083
Early childhood	411,676	-	-	411,676	358,149	-	-	358,149
Health	178,985	-	-	178,985	143,269	-	-	143,269
	<u>1,709,967</u>	<u>-</u>	<u>-</u>	<u>1,709,967</u>	<u>1,853,192</u>	<u>-</u>	<u>-</u>	<u>1,853,192</u>
Supporting services								
Community Foundation support	88,796	-	-	88,796	110,585	-	-	110,585
Management and general	114,421	-	-	114,421	117,156	-	-	117,156
Fundraising expenses	102,512	-	-	102,512	64,048	-	-	64,048
	<u>305,730</u>	<u>-</u>	<u>-</u>	<u>305,730</u>	<u>291,790</u>	<u>-</u>	<u>-</u>	<u>291,790</u>
Total program and supporting services	<u>2,015,696</u>	<u>-</u>	<u>-</u>	<u>2,015,696</u>	<u>2,144,983</u>	<u>-</u>	<u>-</u>	<u>2,144,983</u>
Change in net assets	<u>(886,906)</u>	<u>1,669,678</u>	<u>-</u>	<u>782,772</u>	<u>(1,527,747)</u>	<u>1,031,076</u>	<u>-</u>	<u>(496,671)</u>
Net assets released resulting from satisfaction of donor restrictions	1,293,798	(1,293,798)	-	-	1,343,628	(1,343,628)	-	-
Net assets, beginning of year	<u>4,380,377</u>	<u>2,177,163</u>	<u>382,337</u>	<u>6,939,877</u>	<u>4,564,497</u>	<u>2,489,715</u>	<u>382,337</u>	<u>7,436,549</u>
Net assets, end of year	<u>\$ 4,787,269</u>	<u>\$ 2,553,043</u>	<u>\$ 382,337</u>	<u>\$ 7,722,649</u>	<u>\$ 4,380,377</u>	<u>\$ 2,177,163</u>	<u>\$ 382,337</u>	<u>\$ 6,939,877</u>

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

Community Foundation of the Virgin Islands, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

Cash flows from operating activities:	2012	2011
Change in net assets	\$ 782,772	\$ (496,671)
Adjustments to reconcile change in net assets to cash provided(used) by operating activities:		
Depreciation expense	1,908	1,680
Change in unrealized (gain)loss	(634,559)	306,785
Loss on sale of marketable securities	(3,916)	3,519
Donated securities	(17,479)	(15,191)
(Increase)Decrease in unconditional promises to give	(46,615)	58,183
(Increase)Decrease in grants receivable	(21,583)	(23,583)
(Increase)Decrease in accrued interest receivable	2,892	(3,602)
(Increase)Decrease in other assets	(2,708)	1,157
(Decrease)Increase in accounts payable and accrued expense	4,321	(141,088)
	(717,740)	187,859
Net cash provided(used) by operating activities	65,032	(308,812)
Cash flows from investing activities:		
Purchase of marketable securities	(1,984,959)	(1,826,614)
Proceeds from sale of marketable securities	1,781,598	796,330
Net change in cash equivalents - investment account	261,078	1,123,859
Purchase of office equipment	(1,513)	-
Net cash provided by investing activities	56,204	93,576
Net increase (decrease) in cash	121,236	(215,236)
Cash and equivalents		
Beginning of year	130,035	345,271
End of year	\$ 251,271	\$ 130,035

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

Community Foundation of the Virgin Islands, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2012

	Program Services					Total Program Services	Supporting Services			Total
	Education	Community	Children and Families	Early Childhood	Health		CFVI Capacity	Management and General	Fundraising Expenses	
Operating										
Salaries	\$ 83,654	\$ 55,769	\$ 39,835	\$ 11,951	\$ 29,876	\$ 221,086	-	\$ 53,778	\$ 43,819	\$ 318,682
Fringe benefit	7,574	5,049	3,607	1,082	2,705	20,017	-	4,869	3,967	28,853
Professional fees	-	-	-	-	-	-	-	18,275	-	18,275
Payroll taxes	6,304	4,202	3,002	901	2,251	16,659	-	4,052	3,302	24,013
Donor development	-	-	-	-	-	-	-	-	25,714	25,714
Occupancy	4,490	2,994	2,138	641	1,604	11,868	-	2,887	2,352	17,106
Office expense and printing	6,312	4,208	3,006	902	2,254	16,682	-	4,058	3,306	24,046
Telephone	-	-	-	-	-	-	-	5,371	-	5,371
Insurance	-	-	-	-	-	-	-	5,699	-	5,699
Bank charges	-	-	-	-	-	-	-	4,449	-	4,449
Postage	514	342	245	73	183	1,358	-	330	269	1,957
Advertising	34	22	16	5	12	89	-	22	18	128
Internet	-	-	-	-	-	-	-	3,355	-	3,355
Depreciation expense	-	-	-	-	-	-	-	1,908	-	1,908
Repairs and maintenance	-	-	-	-	-	-	-	796	-	796
Dues and subscriptions	-	-	-	-	-	-	-	1,769	-	1,769
Meetings	-	-	-	-	-	-	-	1,597	-	1,597
Travel	-	-	-	-	-	-	-	420	-	420
Board expenses	-	-	-	-	-	-	-	432	-	432
Other	-	-	-	-	-	-	-	-	-	0
Security	-	-	-	-	-	-	-	355	-	355
	<u>108,881</u>	<u>72,588</u>	<u>51,848</u>	<u>15,554</u>	<u>38,886</u>	<u>287,758</u>	<u>-</u>	<u>114,421</u>	<u>82,747</u>	<u>484,926</u>
Program Services										
Grants and awards	86,774	180,710	57,298	5,564	140,024	470,370	88,796	-	-	559,166
Scholarship	243,942	-	-	-	-	243,942	-	-	-	243,942
Staffing	1,076	-	8,983	146,203	-	156,262	-	-	-	156,262
Occupancy	-	22,440	-	26,798	-	49,239	-	-	-	49,239
Workshops and meetings	82,972	39,144	9,624	36,394	-	168,133	-	-	-	168,133
Printing	886	2,515	6,214	10,070	-	19,685	-	-	-	19,685
Technical assistance	20,288	37,619	31,586	75,545	-	165,038	-	-	-	165,038
Conferences and travel	6,930	22,820	6,225	31,366	-	67,342	-	-	-	67,342
Special events	-	-	-	-	-	-	-	-	19,765	19,765
Equipment	750	-	1,220	680	-	2,650	-	-	-	2,650
Other	2,708	11,068	2,196	63,503	75	79,549	-	-	-	79,549
	<u>446,326</u>	<u>316,315</u>	<u>123,346</u>	<u>396,122</u>	<u>140,099</u>	<u>1,422,209</u>	<u>88,796</u>	<u>-</u>	<u>19,765</u>	<u>1,530,770</u>
	<u>\$ 555,208</u>	<u>\$ 388,903</u>	<u>\$ 175,195</u>	<u>\$ 411,676</u>	<u>\$ 178,985</u>	<u>\$ 1,709,967</u>	<u>\$ 88,796</u>	<u>\$ 114,421</u>	<u>\$ 102,512</u>	<u>\$ 2,015,696</u>

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

Community Foundation of the Virgin Islands, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2011

	Program Services					Total Program Services	Supporting Services			Total
	Education	Community	Children and Families	Early Childhood	Health		CFVI Capacity	Management and General	Fundraising Expenses	
Operating										
Salaries	\$ 44,465	\$ 56,285	\$ 39,963	\$ 11,820	\$ 30,394	\$ 182,927	-	\$ 58,537	\$ 39,963	\$ 281,427
Fringe benefit	5,056	6,400	4,544	1,344	3,456	20,799	-	6,656	4,544	31,998
Professional fees	-	-	-	-	-	-	-	17,290	-	17,290
Payroll taxes	3,311	4,192	2,976	880	2,264	13,623	-	4,359	2,976	20,959
Donor development	-	-	-	-	-	-	-	-	8,839	8,839
Occupancy	2,493	3,156	2,241	663	1,704	10,257	-	3,282	2,241	15,780
Office expense and printing	964	1,220	866	256	659	3,965	-	1,269	866	6,101
Telephone	-	-	-	-	-	-	-	5,574	-	5,574
Insurance	-	-	-	-	-	-	-	5,113	-	5,113
Bank charges	-	-	-	-	-	-	-	4,711	-	4,711
Postage	288	364	259	76	197	1,184	-	379	259	1,821
Advertising	55	70	50	15	38	228	-	73	50	350
Internet	-	-	-	-	-	-	-	1,740	-	1,740
Depreciation expense	-	-	-	-	-	-	-	1,680	-	1,680
Repairs and maintenance	-	-	-	-	-	-	-	3,281	-	3,281
Dues and subscriptions	-	-	-	-	-	-	-	1,812	-	1,812
Meetings	-	-	-	-	-	-	-	251	-	251
Travel	-	-	-	-	-	-	-	147	-	147
Board expenses	-	-	-	-	-	-	-	341	-	341
Other	-	-	-	-	-	-	-	331	-	331
Security	-	-	-	-	-	-	-	330	-	330
	<u>56,633</u>	<u>71,687</u>	<u>50,898</u>	<u>15,054</u>	<u>38,711</u>	<u>232,983</u>	<u>-</u>	<u>117,156</u>	<u>59,737</u>	<u>409,876</u>
Program Services										
Grants and awards	98,245	216,415	82,000	23,550	104,493	524,703	110,585	-	-	635,289
Scholarship	329,194	-	-	-	-	329,194	-	-	-	329,194
Staffing	-	-	6,483	170,184	-	176,667	-	-	-	176,667
Occupancy	-	19,317	-	27,237	-	46,555	-	-	-	46,555
Workshops and meetings	93,660	21,845	17,719	21,720	-	154,944	-	-	-	154,944
Printing	1,606	5,931	34,363	8,749	-	50,648	-	-	-	50,648
Technical assistance	-	149,832	43,950	55,418	-	249,200	-	-	-	249,200
Conferences and travel	11,196	16,849	9,691	29,772	-	67,508	-	-	-	67,508
Other	3,500	8,780	1,980	6,465	65	20,790	-	-	4,312	25,102
	<u>537,401</u>	<u>438,970</u>	<u>196,186</u>	<u>343,094</u>	<u>104,558</u>	<u>1,620,209</u>	<u>110,585</u>	<u>-</u>	<u>4,312</u>	<u>1,735,106</u>
	<u>\$ 594,034</u>	<u>\$ 510,657</u>	<u>\$ 247,083</u>	<u>\$ 358,149</u>	<u>\$ 143,269</u>	<u>\$ 1,853,192</u>	<u>110,585</u>	<u>\$ 117,156</u>	<u>\$ 64,048</u>	<u>\$ 2,144,982</u>

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

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Community Foundation of the Virgin Islands, Inc. (the Foundation) are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Nature of activities - Community Foundation of the Virgin Islands, Inc. is a tax exempt publicly supported charitable organization. The assets of the Foundation are devoted to charitable uses of a public nature primarily benefiting the residents of the U.S. Virgin Islands. The Foundation's principal source of revenue is charitable contributions. The Foundation's work focuses on services embracing children and families, community and education. Current programs include:

Education: The Foundation's main focus in the area of education is to provide scholarships to students with academic excellence and financial need.

Community: Technical Assistance to staff and board members of community not-for-profits, in areas such as financial management, fund raising, board development, communications and public relations. Mini-grants program of annual awards for local organizations and individuals working to improve the lives of children and families in the territory.

Children and families: The annual publication of a KIDS COUNT data report on the status of children and families in the USVI that analyzes challenges and trends and is used as a tool to advocate on behalf of children and families; Fatherhood Collaborative, an initiative which encourages responsible fatherhood through programs, presentations and fatherhood support groups; Rapid Response grants program to provide one-time emergency grants to families in crisis. Junior Angels program to introduce youth to the world of volunteerism and philanthropy.

Health: The Foundation's main focus in the area of health is to provide financial assistance to Virgin Islanders with cancer and other life threatening issues in need of necessary medical care.

Early Childhood: The Foundation's efforts to strengthen the community child care and early education infrastructure in the U. S. Virgin Islands by building awareness of the importance of early learning and development for success in life, and working with community agencies to promote quality care and education. The Foundation provides training programs and resources to child care providers, early education professionals and parents of young children.

CFVI Capacity: Support provided by donors from named Funds at the Foundation to support the Foundation's overall operations and programs in the community.

Basis of presentation and accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the provisions of Financial Accounting Standards Board Codification Topics for Financial Statements of Not-for-Profit Organizations. Under these topics, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

The significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Cash and cash equivalents - The Foundation considers all cash in operating bank accounts, money market and money fund accounts to be cash equivalents.

Investments - Mutual funds and equity securities are valued based upon the final sales prices as quoted by major exchanges as reported by the brokerage house holding the securities. Fixed Incomes are generally valued based upon quoted market prices for brokers and dealers, which represent fair value, as reported by the brokerage house holding the securities. Short-term investments generally include money funds.

The cost of investments represents amounts paid for purchased securities or market values as of the date of the donation of contributed securities. Transactions are recorded on a trade date basis. Realized and unrealized appreciation (depreciation) on investments is determined by comparison of specific costs of acquisition to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively. Dividends and interest are recognized when earned.

The Foundation has incorporated FASB Accounting Standards Update 2010-06: *Improving Disclosures about Fair Value Measurements*. The classification for financial reporting purpose has no net effect on the total financial statements or operating results. Under GAAP the Foundation discloses assets and liabilities, recorded at fair value into the "fair value hierarchy". The fair value hierarchy defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP established a 3 level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value of investments at December 31, 2012 and 2011 are determined by reference to quotes in active markets (Level 1 inputs) and quoted market prices by brokers and dealers (Level 2 inputs).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Level 2: Inputs other than quoted prices which are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Level 3: Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment.

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

The Foundation pools investments for general investment purposes. Investment income is divided among certain internally designated funds based upon an allocation method of computation.

Net asset classifications and Endowment - The Financial Accounting Standards issued Staff Position No. FAS-1, Endowments of Not for profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1). The position provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to and enacted version of the Uniform Prudent.

Management of Institutional Funds Act of 2006 (UPMIFA). The Territory of the United States Virgin Islands adopted UPMIFA effective for fiscal year 2010. The Foundation has adopted FAS 117-1 for the year ended December 31, 2010. The Board of Directors, on advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to the Governing Documents for the Foundation and most contributions are subject to the terms of the Governing Documents and specific agreements with the Foundation. Under the terms of the Governing Documents, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted funds are those which are currently restricted based on donor stipulation, but which will become unrestricted on the satisfaction of the restricted purpose, the passage of time or the occurrence of a certain event.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

Investment and spending policy - The Foundation has adopted an investment and spending policy for non-endowed and endowed assets that attempts to give long-term stability to its investments by protecting principal and ensuring its growth in order to sustain its purchasing power against the rate of inflation over time. The policy is also designed to ensure predictable cash flows in order to provide predictable outflows of dollars to beneficiaries. The spending limit determines the annual amount made available from investment earnings from existing funds and new gifts. The annual spending limit is independent of the investment income earned and thus may be more or less than the income earned by interest, dividends and capital appreciation in any one year. The Board of Directors must approve any deviation from the spending policy. The spending policy will be monitored to assure that all endowment funds maintain or increase the real value of the endowment principal over the long term.

Revenues and expenses - Contributions and bequests are recorded at fair market value on the date of contribution. Distributions to grantees are recognized at the earlier of the time paid or when a legal commitment is incurred.

Reclassifications - Certain reclassification have been made to the 2011 financial statements to conform to the 2012 presentation.

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

Taxes - The Foundation is recognized as a public charity and is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code of 1986. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements. The Foundation is classified under Section 509(a)(1) of the Internal Revenue Code. The Foundation accounts for uncertain tax position when it is more likely than not that such an asset or a liability will be realized. As of December 31, 2012 and 2011 management believes there were no uncertain tax positions.

Risk and Uncertainties - The Foundation uses estimates in preparing the financial statements which require management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities at the date of the Statements of Financial Position and the reported amounts of income and expenditures during the reporting period. Actual results may differ from these estimates.

Functional Allocation of Expenditures - The cost of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. This allocation is based primarily on employee time incurred in each respective functional expense area.

Vacation and Sick Leave - The Foundation's policy allows employees to carry 50% of vacation hours to a maximum of 80 hours and sick hours to a maximum of 120 hours.

NOTE B - UNCONDITIONAL PROMISES TO GIVE

Contributions are recognized as revenues in the period received. Unconditional promises to give, scheduled to be received after the balance sheet date are recorded as receivable as of December 31, 2012 and 2011. Temporarily restricted net assets are reclassified to unrestricted net assets when the related purpose and/or time restrictions are met.

NOTE C - CONCENTRATION OF FINANCIAL RISK

Instruments that potentially expose the Foundation to concentrations of credit risk include cash, cash equivalents, money market funds, certificates of deposits, bank accounts, and investments held at brokerage houses. FDIC insurance coverage is \$250,000 per depositor. Brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including up to a maximum of \$100,000 for cash. The Foundation maintains cash balances at two commercial banks and a brokerage house. As of December 31, 2012 the cash balances and investments held at a brokerage house exceeded coverage.

NOTE D - PROPERTY AND EQUIPMENT

As of December 31, 2012 and 2011 property and equipment consisted of the following:

	2012	2011
Leasehold improvements	\$ 19,315	\$19,315
Equipment	\$ 43,593	\$42,079
	62,908	61,394
Less: Allowance for depreciation	60,800	58,892
	<u>\$ 2,108</u>	<u>\$ 2,502</u>

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

Property and equipment are stated at cost. Depreciation has been provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis.

NOTE E - PROMISSORY NOTE RECEIVABLE

In prior years the Foundation received a contribution as a component of a grant agreement which assigned to the Foundation the rights, title and interest in a promissory note with a face amount of \$1,218,750 from a U.S. Virgin Islands limited liability company. The principal amount of the note as of December 31, 2012 and 2011 is \$1,046,366. The note bears interest at a rate of 5 % per annum. The principal balance, together with any unpaid interest thereon, is due and payable upon demand. Financial Accounting Standards Board Codification Topics generally requires measuring contributions received at the fair value of the assets, and specifically, the fair value of a noncash asset expected to be collected in more than one year should be based on the present value of the expected fair value of the underlying noncash assets that the organization expected to receive. The Foundation expects the terms of the promissory note to be honored, however, management has not obtained a valuation to determine the expected fair value and, as such, has elected to record the promissory note at a nominal amount of \$1. This amount has been included in Unconditional Promises to Give. The Foundation records principal and interest payments as contributions in the year of receipt. For the year ended December 31, 2012 the Foundation received interest in accordance with the terms of the note of \$52,318 (2011- \$52,164).

NOTE F - INVESTMENTS

Investments held consist of the following as of December 31:

	2012		2011	
	Fair value	Cost	Fair value	Cost
Money funds	\$ 1,014,969	\$ 1,014,969	\$ 1,273,595	\$ 1,273,595
Mutual Funds	3,550,845	3,430,000	3,042,052	3,430,000
Exchanged traded & closed end funds			148,596	154,602
Common stock	402,700	398,283	-	-
Preferred Stocks	215,438	219,569	266,340	250,579
Fixed incomes				
Certificates of Deposit	469,479	468,271	652,721	650,655
International Bonds	-	-	211,682	226,322
Corporate Bonds	1,552,611	1,501,805	1,011,209	1,083,479
Municipal Bonds	98,380	100,245	99,991	100,000
Investments, at fair value	\$ 7,304,423	\$ 7,133,142	\$ 6,706,184	\$ 7,169,232

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

The classification of investments by level within the valuation hierarchy as of December 31, 2012 is as follows:

	Quoted Prices (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
Money funds	\$ 1,014,969	-	-	\$ 1,014,969
Mutual Funds	3,550,845	-	-	\$ 3,550,845
Exchange traded & closed end funds	-	-	-	\$ -
Common Stock	402,700	-	-	\$ 402,700
Preferred Stocks	215,738	-	-	\$ 215,438
Fixed incomes				\$ -
Certificates of Deposit	469,479	-	-	\$ 469,479
International Bonds		-		\$ -
Corporate Bonds	-	1,552,611	-	\$ 1,552,611
Municipal Bonds	-	98,380	-	\$ 98,380
Investments, at fair value	<u>\$ 5,383,303</u>	<u>\$ 1,322,881</u>	<u>\$ -</u>	<u>\$ 7,304,423</u>

The classification of investments by level within the valuation hierarchy as of December 31, 2011 is as follows:

	Quoted Prices (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
Money funds	\$ 1,273,595	-	-	\$ 1,273,595
Mutual Funds	3,042,052			\$ 3,042,052
Exchange traded & closed end funds	148,596			\$ 148,596
Preferred Stocks	266,340			\$ 266,340
Fixed incomes				\$ -
Certificates of Deposit	652,721			\$ 652,721
International Bonds		211,682		\$ 211,682
Corporate Bonds		1,011,209		\$ 1,011,209
Municipal Bonds		99,991		\$ 99,991
Investments, at fair value	<u>\$ 5,383,303</u>	<u>\$ 1,322,881</u>	<u>\$ -</u>	<u>\$ 6,706,184</u>

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

Investment income (loss) is comprised of the following for the years ended December 31,

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 171,552	\$145,183
Gain(loss) on sale of investments	3,916	(3,519)
Unrealized appreciation(depreciation)	<u>634,559</u>	<u>(306,717)</u>
Total investment income (loss)	<u>\$ 810,027</u>	<u>\$ (165,053)</u>

NOTE G - NET ASSETS

The Foundation has identified its net assets as follows. As of December 31, 2012 and 2011, permanently restricted net asset balances consisted of the following:

	<u>2012</u>	<u>2011</u>
Children's Trust of the Virgin Islands	\$212,337	\$212,337
Nigel O. Hodge Foundation	100,000	100,000
Judith A. Towle Environmental Studies	<u>70,000</u>	<u>70,000</u>
	<u>\$382,337</u>	<u>\$382,337</u>

As of December 31, 2012 and 2011, temporarily restricted net asset balances consisted of the following:

Scholarships - Represents funds which are individually identified as programs which may be distributed for scholarships

Programs -Represents funds which are donated to be used in established programs at the Foundation to include: Community Service Fund, Dictionary Project, The Family Connection, Laws of Life, Rapid Response, Senior Citizen Assistance, and Next Generation Scholars.

Field of interest -Represents funds which are individually identified, grants from which may be distributed to a specific field in accordance with donor's intent.

Agency -Represents funds which are received and distributed under agency arrangements.

	<u>2012</u>	<u>2011</u>
Scholarship	\$419,908	\$363,611
Programs	1,058,034	1,032,738
Grants	69,269	44,555
Field of interest	877,973	684,465
Agency	39,933	32,571
Fiscal sponsorship	67,187	-
Other	<u>20,740</u>	<u>19,223</u>
	<u>\$2,553,043</u>	<u>\$2,177,163</u>

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

As of December 31, 2012 and 2011, unrestricted net asset balances consisted of the following:

	<u>2012</u>	<u>2011</u>
Operating funds	\$2,315,044	\$2,072,325
Donor advised funds	<u>2,472,225</u>	<u>2,308,052</u>
	<u>\$4,787,269</u>	<u>\$4,380,377</u>

Donor advised - Represents funds which are individually identified for which the donor has reserved the right to make non-binding grant recommendations to the Board.

Certain Board of Director designated restriction had been placed on unrestricted net assets. In accordance with FASB Statement No. 117 *Financial Statements of Not-For-Profit Organizations*, net assets with Board of Director restrictions are accounted for in the unrestricted fund. In 2011 the Board authorized the release \$250,437 of the funds from board designated to be used in the on-going development of The Foundation.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater donor-restricted funds exist, they are classified as a reduction of unrestricted net assets. These deficits are from unfavorable market fluctuations that occurred shortly after the authorized appropriation that was deemed prudent. Deficits of this nature are reported in unrestricted net assets as of December 31, 2012 and 2011.

NOTE H - PENSION EXPENSE

The Foundation sponsors a simple IRA plan. The plan calls for a Foundation matching contribution equal to 100% of employee's elective deferral which does not exceed 3 % of employee compensation. Contributions charged to expense on the statement of activities for the year ended December 31, 2012 are \$8,030 (2011 - \$7,830).

NOTE I- DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 1, 2013 the date that the financial statements were available to be issued.

NOTE J - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments: Cash, cash equivalents, unconditional promises to give, grants receivable, and accounts payable. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. Investments: The fair values of investments are based on GAAP established 3-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE K - DONATED SERVICES, MATERIALS AND FACILITIES

The Foundation received donated services from a variety of unpaid volunteers, assisting in the Foundation's children and families and educational programs. No amounts have been recognized in the accompanying statements of activities for these donated services because the criteria for recognition of such volunteer effort under Financial Accounting Standards Board Codification Topics on contributions have not been satisfied.

The Foundation leases its facilities under an agreement which calls for a nominal monthly fee. The landlord estimates the fair value of the fee to be \$500 per month. The annual rental fee is included in contributions and expenses in the statements of activities. Donated computer consulting and internet services are recorded at estimated fair market value are included in contributions and expenses in the Statements of Activities. The total temporarily restricted in-kind services of for fiscal year 2012 are \$2,872 (\$25,329 -2011) are included in contributions and expense in the Statement of Activities.

NOTE L - ENDOWMENT

The Foundation's endowment consists of three funds established primarily to provide funding for child advocacy, children and families with critical illnesses and support for environmental activities and studies. The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Investment income from investment of the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

Changes in Endowment net assets for the year ended December 31, 2012.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 84,468	\$382,337	\$466,804
Interest and dividends	-	11,067	-	11,067
Net appreciation	-	41,768	-	41,768
Contributions	-	7,121	-	7,121
Amounts appropriated for expenditures and other charges	-	(8,264)	-	(8,264)
Changes in endowment net assets	<u>-</u>	<u>51,691</u>	<u>-</u>	<u>51,691</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$136,159</u>	<u>\$382,337</u>	<u>\$518,496</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net asset by type of fund				
Donor designated endowment funds	\$ -	\$136,159	\$382,337	\$518,496
Other endowment funds	-	-	-	-
Board designated endowment funds	-	-	-	-
Total Endowment Funds	<u>\$ -</u>	<u>\$136,159</u>	<u>\$382,337</u>	<u>\$518,496</u>

Community Foundation of the Virgin Islands, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

Changes in Endowment net assets, for the year ended December 31, 2011.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 101,668	\$382,337	\$484,005
Interest and dividends	-	9,219	-	9,219
Net appreciation	-	(20,782)	-	(20,782)
Contributions	-	16,450	-	16,450
Amounts appropriated for expenditures and other charges	-	(22,087)	-	(22,087)
Changes in endowment net assets	<u>-</u>	<u>(17,200)</u>	<u>-</u>	<u>(17,200)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$84,468</u>	<u>\$382,337</u>	<u>\$466,804</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net asset by type of fund				
Donor designated endowment funds	\$ -	\$84,468	\$382,337	\$466,804
Other endowment funds	-	-	-	-
Board designated endowment funds	-	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$84,468</u>	<u>\$382,337</u>	<u>\$466,804</u>