

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2008

WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
The Greater Kanawha Valley Foundation and
Affiliated Supporting Organization
Charleston, West Virginia

We have audited the accompanying combined statement of financial position of The Greater Kanawha Valley Foundation and affiliated supporting organization (the Foundation) as of December 31, 2008 and the related combined statements of activities and cash flows for the year 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 audit. The financial statements as of December 31, 2007 were audited by other auditors whose report, dated March 7, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2008 combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2008, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
August 31, 2009

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**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 629,223	\$ 219,697
Investments, at market value	103,085,329	151,989,607
Accrued interest receivable	128,674	163,416
Contributions receivable	1,130,797	500,000
Total current assets	104,974,023	152,872,720
PROPERTY AND EQUIPMENT		
Real estate	2,050	2,050
Fixed assets, net of accumulated depreciation of \$26,794 and \$15,104, respectively	19,836	31,526
	21,886	33,576
NONCURRENT ASSETS		
Notes receivable	88,119	92,623
Cash surrender value of life insurance	134,199	126,587
Other assets	17,404	33,870
	239,722	253,080
Total assets	\$ 105,235,631	\$ 153,159,376
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of grants payable	\$ 742,613	\$ 892,809
Accounts payable	987	2,655
Current portion of notes payable	5,522	4,970
Current portion of deferred revenue	35,915	16,268
Total current liabilities	785,037	916,702
LONG-TERM LIABILITIES		
Grants payable	1,539,098	1,008,703
Deferred Revenue	30,200	4,198
Notes payable	1,474	6,997
Organization endowment funds held for others	4,135,622	6,208,704
Total liabilities	6,491,431	8,145,304
NET ASSETS		
Unrestricted		
Donor advised	22,001,601	32,545,642
Donor designated	25,743,580	37,957,821
Scholarship	17,605,826	26,038,630
Unrestricted	19,184,335	28,272,418
Field of interest	14,074,659	20,072,972
Total unrestricted net assets	98,610,001	144,887,483
Temporarily restricted	134,199	126,589
Total net assets	98,744,200	145,014,072
Total liabilities and net assets	\$ 105,235,631	\$ 153,159,376

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2008**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions, gross	\$ 3,492,045	\$ -	\$ 3,492,045
Less contributions to organizational funds	<u>(129,773)</u>	<u>-</u>	<u>(129,773)</u>
Net contributions	<u>3,362,272</u>	<u>-</u>	<u>3,362,272</u>
Interest and dividends, net of bank fees of \$281,170	4,482,672	-	4,482,672
Net realized and unrealized gains (losses) on investments	(48,425,261)	-	(48,425,261)
Less interest, dividends and gains to organizational funds	<u>1,567,309</u>	<u>-</u>	<u>1,567,309</u>
Net interest, dividends and investment gains	<u>(42,375,280)</u>	<u>-</u>	<u>(42,375,280)</u>
Other income	61,696	7,610	69,306
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue, gains and losses	<u>(38,951,312)</u>	<u>7,610</u>	<u>(38,943,702)</u>
EXPENSES			
Grants, net of refunds	5,918,085	-	5,918,085
Scholarships, net of refunds	939,231	-	939,231
Less grants and scholarships from organizational funds	<u>(589,470)</u>	<u>-</u>	<u>(589,470)</u>
Net grants and scholarships	<u>6,267,846</u>	<u>-</u>	<u>6,267,846</u>
Investment consultant fees	111,699	-	111,699
Salaries and benefits	661,898	-	661,898
Other operating expenses	338,449	-	338,449
Other fund expenses	1,441	-	1,441
Less other fund and operating expenses from organizational funds	<u>(55,163)</u>	<u>-</u>	<u>(55,163)</u>
Total expenses	<u>7,326,170</u>	<u>-</u>	<u>7,326,170</u>
CHANGE IN NET ASSETS	(46,277,482)	7,610	(46,269,872)
Net assets - beginning of year	<u>144,887,483</u>	<u>126,589</u>	<u>145,014,072</u>
Net assets - end of year	<u>\$ 98,610,001</u>	<u>\$ 134,199</u>	<u>\$ 98,744,200</u>

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2007**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions, gross	\$ 9,955,214	\$ -	\$ 9,955,214
Less contributions to organizational funds	<u>(1,817,259)</u>	-	<u>(1,817,259)</u>
Net contributions	<u>8,137,955</u>	<u>-</u>	<u>8,137,955</u>
Interest and dividends, net of bank fees of \$257,323	7,406,852	-	7,406,852
Net realized and unrealized gains on investments	5,677,580	-	5,677,580
Less interest, dividends and gains to organizational funds	<u>(385,157)</u>	-	<u>(385,157)</u>
Net interest, dividends and investment gains	<u>12,699,275</u>	<u>-</u>	<u>12,699,275</u>
Other income	135,395	6,940	142,335
Net assets released from restrictions	<u>184,441</u>	<u>(184,441)</u>	<u>-</u>
Total support, revenue, gains and losses	<u>21,157,066</u>	<u>(177,501)</u>	<u>20,979,565</u>
EXPENSES			
Grants, net of refunds	5,224,720	-	5,224,720
Scholarships, net of refunds	847,976	-	847,976
Less grants and scholarships from organizational funds	<u>(272,411)</u>	-	<u>(272,411)</u>
Net grants and scholarships	<u>5,800,285</u>	<u>-</u>	<u>5,800,285</u>
Investment consultant fees	81,492	-	81,492
Salaries and benefits	587,748	-	587,748
Other operating expenses	356,643	-	356,643
Other fund expenses	1,763	-	1,763
Less other fund and operating expenses from organizational funds	<u>(60,212)</u>	-	<u>(60,212)</u>
Total expenses	<u>6,767,719</u>	<u>-</u>	<u>6,767,719</u>
CHANGE IN NET ASSETS	14,389,347	(177,501)	14,211,846
Net assets - beginning of year	<u>130,498,136</u>	<u>304,090</u>	<u>130,802,226</u>
Net assets - end of year	<u>\$ 144,887,483</u>	<u>\$ 126,589</u>	<u>\$ 145,014,072</u>

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 2,807,811	\$ 7,620,729
Investment earnings, net of fees	6,049,981	7,021,695
Other income	90,250	153,220
Interest paid	(1,030)	(967)
Grants and scholarships paid	(5,887,648)	(6,107,916)
Cash paid to employees and suppliers	(1,050,804)	(955,860)
Net cash used in operating activities	2,008,560	7,730,901
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of fixed assets	-	(19,185)
Purchase of investments, net of proceeds from sale of investments	479,017	(10,234,252)
Net cash (used in) provided by investing activities	479,017	(10,253,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable, net of payments	(4,969)	11,966
Net cash received for organization endowment funds held for others	(2,073,082)	1,799,836
Net cash provided by financing activities	(2,078,051)	1,811,802
Net change in cash and cash equivalents	409,526	(710,734)
Cash and cash equivalents, beginning of year	219,697	930,431
Cash and cash equivalents, end of year	\$ 629,223	\$ 219,697
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ (46,269,872)	\$ 14,211,846
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,690	9,552
Change in other assets and liabilities	(158,519)	(812,917)
Unrealized and realized net losses (gains) on investments	48,425,261	(5,677,580)
Net cash provided by (used in) operating activities	\$ 2,008,560	\$ 7,730,901

See notes to combined financial statements.

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

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Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Greater Kanawha Valley Foundation is a charitable community trust organized in 1962 and operates under the laws of West Virginia. The Foundation accepts contributions, creates and administers funds, and makes grants for the benefit of the people of the Greater Kanawha Valley. The Foundation has been recognized by the Internal Revenue Service (IRS) as a tax-exempt organization as described in Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code. The combined financial statements of The Greater Kanawha Valley Foundation and its Affiliate (the Foundation) are composed of The Greater Kanawha Valley Foundation and TGKVF, Inc.

TGKVF, Inc., a supporting organization, was formed on December 9, 1986, primarily to operate for the benefit of, and to carry out the purposes of, the Foundation (see Note 13).

Basis of Presentation

The combined financial statements for the Foundation have been prepared on the accrual basis of accounting, which means that revenues are recognized as they are earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

In the regular course of business, the Foundation maintains cash balances at several financial institutions located in West Virginia that may exceed the federally insured amount. Accounts at each financial institution are insured to the limits established by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents.

Classification of Net Assets

In August 2008, The Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *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 Endowed Funds* (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006, (UPMIFA). The FAS 117-1 also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of West Virginia adopted UPMIFA effective March 5, 2008. The Foundation has adopted FAS 117-1 for the year ending December 31, 2008. The board of directors, on the advice of legal counsel, has determined that the Foundations net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to the Declaration of Trust and most contributions are subject to the terms of the Declaration of Trust. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

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Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Under the terms of the Declaration of Trust, 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 to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

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

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. There are no permanently restricted net assets as of December 31, 2008 and 2007.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies that seek to provide a predictable stream of funding to programs while maintaining the purchasing power of the assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

The primary objective of the Foundation's investment policy is to preserve the real (after inflation) value of its current and subsequently acquired assets. A second objective, subject only to the first, is to provide the maximum flow of funds for grant making, operating expenses and fees (including investment management fees). The flow of funds should be reasonably predictable and rise at least as rapidly as inflation.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic equities, international equities, fixed income, real assets and alternative hedge funds. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return.

The spending policy determines the amount that the Foundation makes available for grants from each Fund and will be calculated by multiplying a percentage by a base.

The base for grant distribution will be the twenty-quarter moving average of the market value of each Fund's total market value. It is the Foundation's present judgment that an annual percentage factor of 5% be distributed from the market value average. The Foundation recognizes that certain circumstances may call for a different base and/or percentage to be used. In such instances, the President of the Foundation, after consultation with the Investment Committee, may adjust the base and/or percentage used for grant distribution.

This computation will be made at the beginning of each fiscal year to include the last 20 quarters, estimating the last quarter, if necessary.

Should the total market value of any fund fall below the initial corpus plus additional contributions to the corpus, no distributions will be made unless authorized by the fund agreement or the Board of Trustees as permitted by law.

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

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Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is classified as “an other than private foundation” and is exempt from income taxes under the Internal Revenue Code Section (501(c)(3). Accordingly, no provision for income taxes has been recorded.

Equipment

The Foundation capitalizes expenditures for property and equipment costing over \$2,500. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset. Depreciation expense for the years ended December 31, 2008 and 2007 was \$11,689 and \$9,552 respectively.

Statement of Cash Flows

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. The market value of public traded securities is based upon quotes from the principal exchanges on which the security is traded.

Nonmarketable securities include alternative investments, such as private equity, hedge funds, timber and real estate, which are valued using current estimates of fair value obtained from the general partner or investment manager in the absence of readily determinable public market values.

Any change in the valuation of the investments is reported as realized and unrealized gains or losses in the combined statement of activity. Dividend and interest income from investments is accrued as the income is earned.

Contributions and Grants

Contributions received by the Foundation are reported at their fair market values on the date of such gifts.

Grants made by the Foundation are recorded in the financial statements at the time the grants are approved by the Board of Trustees of the Foundation. Payments are made when requested by the grantee and any contingencies, such as obtaining matching funds, have been met by the grantee.

Contributed Services

Certain individuals have made significant contributions of their time to manage and operate the Foundation. The value of this contributed time is not reflected in these combined financial statements since it is not susceptible to objective measurement or valuation.

Endowment Funds Held for the Benefit of Others

In accordance with Statement of Financial Accounting Standards (SFAS) No. 136, “Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others,” if a not-for-profit organization established a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as organization endowment funds held for others.

THE GREATER KANAWHA VALLEY FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

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Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The Foundation maintains legal ownership of these funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with SFAS No. 136, a liability has been established for the fair value of the funds.

Fair Value of Financial Instruments

During 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, (FAS 157) issued by the Financial Accounting Standards Board (FASB). FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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.

The Foundation accounts for its investments at fair value and are recorded on the Statement of Financial Position based on the inputs to the valuation techniques as follows:

Level 1

Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2

Financial assets are valued using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 includes real assets.

Level 3

Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes alternative hedge funds.

Risks and Uncertainties

The Foundation invests in various investments, including fixed income, stocks, mutual funds, alternative investments and real assets that, in general, are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform with current year presentation. Such reclassifications had no effect on net assets or the change in net assets.

THE GREATER KANAWHA VALLEY FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 2 - Investments

The following summarizes the relationship between cost or donated values and the market values of investments as of December 31, 2008 and 2007:

Investments as of December 31, 2008:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Corporate Stocks	\$ 244,576	\$ 252,701	\$ (8,125)
Mutual Funds	182,646	226,221	(43,575)
Money Market Funds	6,573,684	6,573,684	-
US Core Equities	23,781,069	39,751,233	(15,970,164)
US Mid/Small Growth Equities	4,450,439	6,425,438	(1,974,999)
US Mid/Small Value Equities	5,149,030	6,635,666	(1,486,636)
International Core Equities	18,758,891	24,647,804	(5,888,913)
Alternative	17,552,143	17,277,333	274,810
Fixed income	16,469,385	18,204,473	(1,735,088)
Real assets	<u>9,923,467</u>	<u>13,982,060</u>	<u>(4,058,593)</u>
	<u>\$ 103,085,330</u>	<u>\$ 133,976,613</u>	<u>\$ (30,891,283)</u>

Investments as of December 31, 2007:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Corporate Stocks	\$ 45,588	\$ 44,391	\$ 1,197
Mutual Funds	396,103	326,968	69,135
Money Market Funds	11,983,331	11,983,331	-
US Core Equities	36,242,553	37,107,962	(865,409)
US Mid/Small Growth Equities	6,889,774	5,459,955	1,429,819
US Mid/Small Value Equities	5,619,763	6,282,499	(662,736)
International Core Equities	31,082,950	20,892,332	10,190,618
Alternative	20,957,442	17,383,978	3,573,464
Fixed income	22,329,843	22,219,977	109,866
Real assets	<u>16,442,260</u>	<u>13,729,054</u>	<u>2,713,206</u>
	<u>\$ 151,989,607</u>	<u>\$ 135,430,447</u>	<u>\$ 16,559,160</u>

Amounts reported above as alternative consist of investments in hedge funds, which consist of long/short global equity hedge funds and absolute return – fund-of funds hedge funds. Amounts reported as real assets consist of investments in common trust funds, which consists of multi-strategy real assets and real estate assets. The real assets segment is intended to provide the portfolio with a diversified hedge against inflation as well as long term real asset growth.

THE GREATER KANAWHA VALLEY FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 2 - Investments (Continued)

Investment returns for the year ended December 31, 2008 was as follows:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 4,482,672	\$ -	\$ 4,482,672
Unrealized and realized gains on investments	(48,425,261)	-	(48,425,261)
Less amounts attributable to organizational funds	<u>1,567,309</u>	<u>-</u>	<u>1,567,309</u>
Total return on investments	<u>\$ (42,375,280)</u>	<u>\$ -</u>	<u>\$ (42,375,280)</u>

Investment returns for the year ended December 31, 2007 was as follows:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 7,406,852	\$ -	\$ 7,406,852
Unrealized and realized gains on investments	5,677,580	-	5,677,580
Less amounts attributable to organizational funds	<u>(385,157)</u>	<u>-</u>	<u>(385,157)</u>
Total return on investments	<u>\$ 12,699,275</u>	<u>\$ -</u>	<u>\$ 12,699,275</u>

Note 3 - Fair Value Measurements

The Foundation uses fair value measurements of certain assets and liabilities to record fair value adjustments and to determine fair value disclosures. For additional information refer to Note 1 – Organization and Summary of Significant Accounting Policies.

Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

Fair Value Measurements at Reporting Date Using

<u>December 31, 2008</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	\$ 7,000,906	\$ 7,000,906	\$ -	\$ -
Available-for-sale securities	68,608,813	68,608,813	-	-
Alternative and real assets	<u>27,475,610</u>	<u>-</u>	<u>9,923,467</u>	<u>17,552,143</u>
Total investments at fair value	<u>\$103,085,329</u>	<u>\$ 75,609,719</u>	<u>\$ 9,923,467</u>	<u>\$ 17,552,143</u>

THE GREATER KANAWHA VALLEY FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 3 - Fair Value Measurements (Continued)

Level 3 Assets

The following table provides a summary of changes of the Alternative Hedge Funds measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2008:

January 1, 2008	\$ 20,957,442
Total gains or losses (realized /unrealized) included in earnings	(3,405,299)
Purchases, issuance, and settlements	-
Transfers in and/or out of Level 3	<u>-</u>
December 31, 2008	<u>\$ 17,552,143</u>
 Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2008	 <u>\$ 274,810</u>

Note 4 - Endowment by Net Asset Class

For the year ended December 31, 2008:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Donor designated Endowment funds	\$ 24,326,428	\$ -	\$ 24,326,428
Other endowment funds:			
Undesignated	15,097,276	-	15,097,276
Field of interest	13,392,775	-	13,392,775
Donor advised	14,838,775	29,904	14,868,679
Scholarship	<u>11,303,799</u>	<u>104,295</u>	<u>11,408,094</u>
Total endowment funds	<u>\$ 78,959,053</u>	<u>\$ 134,199</u>	<u>\$ 79,093,252</u>

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Note 5 - Changes in Endowment Net Assets

For the year ended December 31, 2008:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 115,280,443	\$ 126,589	\$ 115,407,032
Interest and dividends, Net of investment expense	2,364,689	7,610	2,372,299
Net appreciation (depreciation)	(37,670,042)	-	(37,670,042)
Contributions	2,770,696	-	2,770,696
Amounts appropriated for expenditure	<u>(3,786,733)</u>	<u>-</u>	<u>(3,786,733)</u>
Change in endowment net assets	<u>(36,321,390)</u>	<u>7,610</u>	<u>(36,313,780)</u>
Endowment net assets, end of year	<u>\$ 78,959,053</u>	<u>\$ 134,199</u>	<u>\$ 79,093,252</u>

In addition to endowment net assets, The Foundation also manages other non-endowment funds. The following table summarizes all Foundation net assets as of December 31, 2008.

Endowment funds	\$ 79,093,252
Non endowment funds	<u>19,650,946</u>
Total net assets:	<u>\$ 98,744,198</u>

Note 6 - Cash Surrender Value of Life Insurance

The Foundation is the designated beneficiary of two life insurance policies owned on the life of donors. The insurance policies have been recorded for the amount that will be paid to the Foundation or other organizations upon the death of the donors. The increase in cash surrender value has been recorded as temporarily restricted other income in the combined statements of activities for the years ended December 31, 2008 and 2007.

Note 7 - Fixed Assets

Fixed Assets consisted of the following:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Computer and office equipment	\$ 28,905	\$ 28,905
Software	<u>17,725</u>	<u>17,725</u>
	46,630	46,630
Less accumulated depreciation	<u>(26,794)</u>	<u>(15,104)</u>
Fixed assets, net	<u>\$ 19,836</u>	<u>\$ 31,526</u>

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Note 8 - Grants Payable

The Foundation has made unconditional promises to various charitable organizations to make grant payments over future years. These grants are recorded at the present value of their future cash flows. A discount rate equal to the Treasury bill rate at December 31, 2008, or 0.35%, was used to arrive at the present value. At December 31, 2008 and 2007, the present value discount effect was approximately \$34,387 and \$793,839, respectively. Unconditional grant commitments outstanding at December 31, 2008 will be disbursed as follows:

2009	\$ 742,613
2010	290,149
2011	291,166
2012	292,186
2013	293,209
Thereafter	<u>372,388</u>
Grants payable, net	2,281,711
Less current portion	<u>(742,613)</u>
Net long term grants payable	<u>\$ 1,539,098</u>

Note 9 - Related Party Transactions

Certain members of the Board of Trustees of the Foundation also participate in the management of, or are members of, the boards of various organizations throughout West Virginia. During the years ended December 31, 2008 and 2007, the Foundation approved and paid grants with a net effect of approximately \$169,713 and \$261,000, respectively, to these organizations. At December 31, 2008 and 2007, the Foundation had grants payable, at net present value, of approximately \$2,281,711 and \$1,462,000, respectively, to these organizations.

Note 10 - Retirement Plan

The Foundation has a defined contribution retirement plan that covers all full-time employees having at least one year of service. For 2008 and 2007, contributions to the plan were computed at eight percent of compensation. During 2008 and 2007, the Foundation recorded retirement plan expense of \$27,192 and \$31,185, respectively.

Note 11 - Administrative Fees

It is the policy of the Foundation that the administrative fee for the Foundation's operating expenses is calculated each year by multiplying 1% by a base. The base for the administrative fee will be the Foundation's total market value on September 30 of each year.

For the years ended December 31, 2008 and 2007, the Foundation assessed each fund an administrative fee of 0.85% and 0.90%, respectively, on the market value of each fund. These fees are used by the Foundation to pay for administrative costs incurred in managing the Foundation and administering the funds. Administrative fees for the years ended December 31, 2008 and 2007 were \$1,298,041 and \$1,162,448, respectively. For financial statement purposes, the administrative fee income assessed by the Foundation is netted against the administrative fee expense recognized by the funds. These amounts net to zero, and no income or expense is reported.

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Note 12 - Operating Lease

The Foundation leases its office space under an operating lease expiring in February 2014. Rent expense for the years ended December 31, 2008 and 2007 was \$98,488 and \$97,955, respectively.

Minimum future rental payments under this operating lease as of December 31, 2008 are:

2009	\$	100,874
2010		102,891
2011		104,949
2012		107,048
2013		109,189
Thereafter		<u>18,258</u>
 Total	 \$	 <u>543,209</u>

Note 13 - Affiliated Supporting Organization

As discussed in Note 1, the Foundation has an affiliated supporting organization, TGKVF, Inc. Summarized financial information for this supporting organization for 2008 and 2007 is:

Financial Position	<u>2008</u>	<u>2007</u>
Assets		
Cash and short-term funds	\$ 639,866	\$ 2,408,326
Investments	17,930,803	23,012,272
Contributions receivable	<u>652,841</u>	<u>500,000</u>
Total assets	<u>19,223,510</u>	<u>25,920,598</u>
Liabilities and net assets		
Grants payable	66,870	88,300
Organizational funds held for others	<u>3,599,989</u>	<u>5,389,683</u>
Total liabilities	3,666,859	5,477,983
Unrestricted net assets	<u>15,556,651</u>	<u>20,442,615</u>
Total liabilities and net assets	<u>\$ 19,223,510</u>	<u>\$ 25,920,598</u>

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Note 13 - Affiliated Supporting Organization (Continued)

Changes in Net Assets	<u>2008</u>	<u>2007</u>
Support, revenue, gains and losses		
Contributions, gross	\$ 2,143,234	\$ 7,199,399
Less contributions to organizational funds	<u>(129,773)</u>	<u>(1,817,159)</u>
Net Contributions	2,013,461	5,382,240
Interest and Dividends, net of bank fees	989,854	1,518,032
Net realized and unrealized gains and losses on Investments	(7,617,495)	131,153
Less interest, dividends, gains and losses to organizational funds	<u>1,282,071</u>	<u>(310,240)</u>
Net Interest, dividends, and investment gains	<u>(5,345,570)</u>	<u>1,338,945</u>
Total support, revenue, gains and losses	<u>(3,332,109)</u>	<u>6,721,185</u>
Expenses		
Grants, net of refunds	1,553,296	2,262,683
Scholarships, net of refunds	14,488	18,159
Less grants and scholarships from organizational funds	<u>(566,842)</u>	<u>(250,141)</u>
Net grants and scholarships	1,000,942	2,030,701
Administrative Fees	199,353	180,285
Other Income(expenses)	18,520	616
Transfers from (to) other funds	382,140	(680,510)
Less other fund expenses from organizational funds	<u>(47,101)</u>	<u>(52,658)</u>
Total expenses	<u>1,553,854</u>	<u>1,478,434</u>
Change in net assets	<u>\$ (4,885,963)</u>	<u>\$ 5,242,751</u>