

THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2010 AND 2009

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 statements of financial position of The Greater Kanawha Valley Foundation and affiliated supporting organization (the Foundation) as of December 31, 2010 and 2009 and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2010 and 2009, and the changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Suttle &amp; Stalnaker, PLLC'.

Charleston, West Virginia  
September 12, 2011

**THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

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	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 683,214	\$ 710,264
Investments, at market value	132,819,378	126,003,551
Accrued interest receivable	288,040	290,659
Contributions receivable	656,666	386,489
Total current assets	134,447,298	127,390,963
<b>PROPERTY AND EQUIPMENT</b>		
Real estate	2,050	2,050
Fixed assets, net of accumulated depreciation of \$41,220 and \$35,529, respectively	5,411	11,101
	7,461	13,151
<b>NONCURRENT ASSETS</b>		
Cash surrender value of life insurance	148,000	141,126
Other assets	5,922	5,147
	153,922	146,273
Total assets	\$ 134,608,681	\$ 127,550,387
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of grants payable	\$ 412,182	\$ 419,403
Accounts payable	51,390	47,419
Current portion of notes payable	-	1,474
Current portion of deferred revenue	12,593	16,998
Total current liabilities	476,165	485,294
<b>LONG-TERM LIABILITIES</b>		
Grants payable	1,122,730	1,284,980
Deferred Revenue	5,885	16,034
Organization endowment funds held for others	2,808,123	5,121,587
Total liabilities	4,412,903	6,907,895
<b>NET ASSETS</b>		
Unrestricted		
Donor advised	26,770,816	25,635,932
Donor designated	40,834,036	32,114,145
Scholarship	17,981,775	21,441,506
Unrestricted	25,446,667	23,829,169
Field of interest	19,014,484	17,480,614
Total unrestricted net assets	130,047,778	120,501,366
Temporarily restricted	148,000	141,126
Total net assets	130,195,778	120,642,492
Total liabilities and net assets	\$ 134,608,681	\$ 127,550,387

*See notes to combined financial statements.*

**THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
COMBINED STATEMENT OF ACTIVITY  
YEAR ENDED DECEMBER 31, 2010**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT, REVENUE, GAINS AND LOSSES</b>			
Contributions, gross	\$ 2,865,348	\$ -	\$ 2,865,348
Less contributions to organizational funds	<u>(32,591)</u>	<u>-</u>	<u>(32,591)</u>
Net contributions	<u>2,832,757</u>	<u>-</u>	<u>2,832,757</u>
Interest and dividends, net of bank fees of \$321,665	1,913,846	-	1,913,846
Net realized and unrealized gains (losses) on investments	12,247,000	-	12,247,000
Less interest, dividends and gains to organizational funds	<u>(381,414)</u>	<u>-</u>	<u>(381,414)</u>
Net interest, dividends and investment gains	<u>13,779,432</u>	<u>-</u>	<u>13,779,432</u>
Other income	39,523	6,874	46,397
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue, gains and losses	<u>16,651,712</u>	<u>6,874</u>	<u>16,658,586</u>
<b>EXPENSES</b>			
Grants, net of refunds	8,083,177	-	8,083,177
Scholarships, net of refunds	556,833	-	556,833
Less grants and scholarships from organizational funds	<u>(2,652,104)</u>	<u>-</u>	<u>(2,652,104)</u>
Net grants and scholarships	<u>5,987,906</u>	<u>-</u>	<u>5,987,906</u>
Investment consultant fees	100,125	-	100,125
Salaries and benefits	672,891	-	672,891
Other operating expenses	369,595	-	369,595
Other fund expenses	319	-	319
Less other fund and operating expenses from organizational funds	<u>(25,536)</u>	<u>-</u>	<u>(25,536)</u>
Total expenses	<u>7,105,300</u>	<u>-</u>	<u>7,105,300</u>
<b>CHANGE IN NET ASSETS</b>	9,546,412	6,874	9,553,286
Net assets - beginning of year	<u>120,501,366</u>	<u>141,126</u>	<u>120,642,492</u>
Net assets - end of year	<u>\$ 130,047,778</u>	<u>\$ 148,000</u>	<u>\$ 130,195,778</u>

*See notes to combined financial statements.*

**THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
COMBINED STATEMENT OF ACTIVITY  
YEAR ENDED DECEMBER 31, 2009**

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	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, GAINS AND LOSSES</b>			
Contributions, gross	\$ 2,458,968	\$ -	\$ 2,458,968
Less contributions to organizational funds	<u>(302,429)</u>	-	<u>(302,429)</u>
Net contributions	<u>2,156,539</u>	-	<u>2,156,539</u>
Interest and dividends, net of bank fees of \$257,323	3,296,772	-	3,296,772
Net realized and unrealized gains on investments	22,129,858	-	22,129,858
Less interest, dividends and gains to organizational funds	<u>(967,456)</u>	-	<u>(967,456)</u>
Net interest, dividends and investment gains	<u>24,459,174</u>	-	<u>24,459,174</u>
Other income	48,172	6,927	55,099
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue, gains and losses	<u>26,663,885</u>	<u>6,927</u>	<u>26,670,812</u>
<b>EXPENSES</b>			
Grants, net of refunds	3,346,853	-	3,346,853
Scholarships, net of refunds	604,638	-	604,638
Less grants and scholarships from organizational funds	<u>(287,487)</u>	-	<u>(287,487)</u>
Net grants and scholarships	<u>3,664,004</u>	-	<u>3,664,004</u>
Investment consultant fees	92,779	-	92,779
Salaries and benefits	657,343	-	657,343
Other operating expenses	408,672	-	408,672
Other fund expenses	1,185	-	1,185
Less other fund and operating expenses from organizational funds	<u>(51,463)</u>	-	<u>(51,463)</u>
Total expenses	<u>4,772,520</u>	<u>-</u>	<u>4,772,520</u>
<b>CHANGE IN NET ASSETS</b>	21,891,365	6,927	21,898,292
Net assets - beginning of year	<u>98,610,001</u>	<u>134,199</u>	<u>98,744,200</u>
Net assets - end of year	<u>\$ 120,501,366</u>	<u>\$ 141,126</u>	<u>\$ 120,642,492</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, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 2,548,202	\$ 2,803,215
Investment earnings, net of fees	1,532,432	2,329,316
Other income	38,748	48,338
Interest paid	(26)	(478)
Grants and scholarships paid	(6,157,377)	(4,241,332)
Cash paid to employees and suppliers	(1,105,262)	(1,050,096)
Net cash provided (used) by operating activities	(3,143,283)	(111,037)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of investments, net of proceeds		
from sale of investments	5,431,171	(788,364)
Net cash provided (used) by investing activities	5,431,171	(788,364)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	(1,474)	(5,522)
Net cash received for organization endowment funds held for others	(2,313,464)	985,964
Net cash provided (used) by financing activities	(2,314,938)	980,442
Net change in cash and cash equivalents	(27,050)	81,041
Cash and cash equivalents, beginning of year	710,264	629,223
Cash and cash equivalents, end of year	\$ 683,214	\$ 710,264
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 9,553,286	\$ 21,898,292
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,691	8,735
Change in other assets and liabilities	(455,260)	111,794
Unrealized and realized net losses (gains) on investments	(12,247,000)	(22,129,858)
Net cash provided (used) by operating activities	\$ (3,143,283)	\$ (111,037)

*See notes to combined financial statements.*

THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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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 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 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**

Professional standards contained in the Not-for-Profit Entities - Presentation of Financial Statements Topic of the FASB Codification provide 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), including guidance pertaining to 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 board of directors, on the advice of legal counsel, has determined that the Foundation's 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  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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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, 2010 and 2009.

**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, 2010 AND 2009

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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.

The Foundation has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended December 31, 2010, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. The Foundation returns for years ending on or after December 31, 2007 remain subject to examination.

**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, 2010 and 2009 was \$5,691 and \$8,735, respectively.

**Statements of Cash Flows**

For purposes of the statements 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.

THE GREATER KANAWHA VALLEY FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

**Endowment Funds Held for the Benefit of Others**

In accordance with professional standards contained in the Not-for-Profit Entities - Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others Topic of the FASB Accounting Standards Codification 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 Foundation maintains legal ownership of these funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with the guidance referred to above a liability has been established for the fair value of the funds.

**Fair Value of Financial Instruments**

Professional standards contained in the Fair Value Measurements and Disclosures topic of the FASB Codification establish 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.

THE GREATER KANAWHA VALLEY FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 12, 2011, the date the financial statements were issued.

**Note 2 - Investments**

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

Investments as of December 31, 2010:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Corporate Stocks	\$ 119	\$ 300	\$ (181)
Mutual Funds	409,763	375,855	33,908
Money Market Funds	4,518,040	4,518,040	-
US Core Equities	34,712,593	36,730,352	(2,017,759)
US Mid/Small Growth Equities	7,838,729	5,301,826	2,536,903
US Mid/Small Value Equities	6,587,434	6,066,025	521,409
International Core Equities	28,146,823	23,722,946	4,423,877
Alternative	15,956,427	13,975,786	1,980,641
Fixed income	18,559,203	17,982,574	576,629
Real assets	<u>16,090,247</u>	<u>14,458,285</u>	<u>1,631,962</u>
	<u>\$ 132,819,378</u>	<u>\$ 123,131,989</u>	<u>\$ 9,687,389</u>

Investments as of December 31, 2009:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Corporate Stocks	\$ 5,760	\$ 5,391	\$ 369
Mutual Funds	225,214	219,541	5,673
Money Market Funds	6,360,164	6,360,164	-
US Core Equities	33,133,565	39,145,403	(6,011,838)
US Mid/Small Growth Equities	6,627,966	6,035,824	592,142
US Mid/Small Value Equities	5,522,051	6,556,488	(1,034,437)
International Core Equities	26,686,524	25,079,198	1,607,326
Alternative	15,690,057	14,616,678	1,073,379
Fixed income	18,171,838	17,918,873	252,965
Real assets	<u>13,580,412</u>	<u>14,182,551</u>	<u>(602,139)</u>
	<u>\$ 126,003,551</u>	<u>\$ 130,120,111</u>	<u>\$ (4,116,560)</u>

THE GREATER KANAWHA VALLEY FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

**Note 2 - Investments (Continued)**

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.

Investment returns for the year ended December 31, 2010 was as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 1,913,846	\$ -	\$ 1,913,846
Unrealized and realized gains on investments	12,247,000	-	12,247,000
Less amounts attributable to organizational funds	<u>(381,414)</u>	<u>-</u>	<u>(381,414)</u>
Total return on investments	<u>\$ 13,779,432</u>	<u>\$ -</u>	<u>\$ 13,779,432</u>

Investment returns for the year ended December 31, 2009 was as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 3,296,772	\$ -	\$ 3,296,772
Unrealized and realized gains on investments	22,129,858	-	22,129,858
Less amounts attributable to organizational funds	<u>(967,456)</u>	<u>-</u>	<u>(967,456)</u>
Total return on investments	<u>\$ 24,459,174</u>	<u>\$ -</u>	<u>\$ 24,459,174</u>

THE GREATER KANAWHA VALLEY FOUNDATION  
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**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, 2010 and 2009 are as follows:

Fair Value Measurements at Reporting Date Using

<u>December 31, 2010</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	\$ 4,927,923	\$ 4,927,923	\$ -	\$ -
Available-for-sale securities	95,844,781	95,844,781	-	-
Alternative and real assets	<u>32,046,674</u>	<u>-</u>	<u>16,090,247</u>	<u>15,956,427</u>
Total investments at fair value	<u>\$132,819,378</u>	<u>\$ 100,772,704</u>	<u>\$ 16,090,247</u>	<u>\$ 15,956,427</u>

<u>December 31, 2009</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	\$ 6,591,138	\$ 6,591,138	\$ -	\$ -
Available-for-sale securities	90,141,944	90,141,944	-	-
Alternative and real assets	<u>29,270,469</u>	<u>-</u>	<u>13,580,412</u>	<u>15,690,057</u>
Total investments at fair value	<u>\$126,003,551</u>	<u>\$ 96,733,082</u>	<u>\$ 13,580,412</u>	<u>\$ 15,690,057</u>

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**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 years ended December 31, 2010 and 2009:

January 1, 2010	\$ 15,690,057
Net gains or losses (realized /unrealized) included in earnings	708,137
Purchases, issuance, and settlements	(441,767)
Transfers in and/or out of Level 3	<u>-</u>
December 31, 2010	<u>\$ 15,956,427</u>
Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2010	<u>\$ 708,137</u>
January 1, 2009	\$ 17,552,143
Net gains or losses (realized /unrealized) included in earnings	(1,862,086)
Purchases, issuance, and settlements	-
Transfers in and/or out of Level 3	<u>-</u>
December 31, 2009	<u>\$ 15,690,057</u>
Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2009	<u>\$ (1,862,086)</u>

**Note 4 - Endowment by Net Asset Class**

For the year ended December 31, 2010:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Donor designated Endowment funds	\$ 33,109,286	\$ -	\$ 33,109,286
Other endowment funds:			
Undesignated	19,964,683	-	19,964,683
Field of interest	18,173,957	-	18,173,957
Donor advised	18,044,168	32,137	18,076,305
Scholarship	<u>15,492,315</u>	<u>115,863</u>	<u>15,608,178</u>
Total endowment funds	<u>\$ 104,784,409</u>	<u>\$ 148,000</u>	<u>\$ 104,932,409</u>

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**Note 4 - Endowment by Net Asset Class (Continued)**

For the year ended December 31, 2009:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Donor designated Endowment funds	\$ 29,326,658	\$ -	\$ 29,326,658
Other endowment funds:			
Undesignated	18,581,298	-	18,581,298
Field of interest	16,435,288	-	16,435,288
Donor advised	17,785,884	31,040	17,816,924
Scholarship	<u>14,128,654</u>	<u>110,086</u>	<u>14,238,740</u>
Total endowment funds	<u>\$ 96,257,782</u>	<u>\$ 141,126</u>	<u>\$ 96,398,908</u>

**Note 5 - Changes in Endowment Net Assets**

For the year ended December 31, 2010:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 96,257,782</u>	<u>\$ 141,126</u>	<u>\$ 96,398,908</u>
Interest and dividends, net of investment expense	1,791,222	6,874	1,798,096
Net appreciation (depreciation)	9,681,888	-	9,681,888
Contributions	1,932,517	-	1,932,517
Amounts appropriated for expenditure	<u>(4,879,000)</u>	<u>-</u>	<u>(4,879,000)</u>
Change in endowment net assets	<u>8,526,627</u>	<u>6,874</u>	<u>8,533,501</u>
Endowment net assets, end of year	<u>\$ 104,784,409</u>	<u>\$ 148,000</u>	<u>\$ 104,932,409</u>



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**Note 5 - Changes in Endowment Net Assets (Continued)**

For the year ended December 31, 2009:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 78,959,053	\$ 134,199	\$ 79,093,252
Interest and dividends, net of investment expense	1,886,741	6,927	1,893,668
Net appreciation (depreciation)	17,412,494	-	17,412,494
Contributions	1,040,756	-	1,040,756
Amounts appropriated for expenditure	<u>(3,041,262)</u>	<u>-</u>	<u>(3,041,262)</u>
Change in endowment net assets	<u>17,298,729</u>	<u>6,927</u>	<u>17,305,656</u>
Endowment net assets, end of year	<u>\$ 96,257,782</u>	<u>\$ 141,126</u>	<u>\$ 96,398,908</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:

	<u>2010</u>	<u>2009</u>
Endowment funds	\$ 104,932,409	\$ 96,398,908
Non endowment funds	<u>25,263,369</u>	<u>24,243,584</u>
Total net assets:	<u>\$ 130,195,778</u>	<u>\$ 120,642,492</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, 2010 and 2009.

**Note 7 - Fixed Assets**

Fixed Assets consisted of the following as of December 31:

	<u>2010</u>	<u>2009</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>(41,219)</u>	<u>(35,529)</u>
Fixed assets, net	<u>\$ 5,411</u>	<u>\$ 11,101</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, 2010, or 0.27%, was used to arrive at the present value. At December 31, 2010 and 2009, the present value discount effect was approximately \$27,371 and \$42,620, respectively. Unconditional grant commitments outstanding at December 31, 2010 will be disbursed as follows:

2011	\$ 412,182
2012	292,507
2013	210,257
2014	123,325
2015	123,658
Thereafter	<u>372,983</u>
Grants payable, net	1,534,912
Less current portion	<u>(412,182)</u>
Net long term grants payable	<u>\$ 1,122,730</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, 2010 and 2009, the Foundation approved and paid grants with a net effect of approximately \$114,038 and \$110,249, respectively, to these organizations. At December 31, 2010 and 2009, the Foundation had grants payable, at net present value, of approximately \$1,265,800 and \$1,330,559, 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 2010 and 2009, contributions to the plan were computed at 8% of compensation. During 2010 and 2009, the Foundation recorded retirement plan expense of \$38,970 and \$37,348, 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 0.85% 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, 2010 and 2009, the Foundation assessed each fund an administrative fee of 0.85% 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, 2010 and 2009 were \$991,514 and \$1,082,307, 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, 2010 and 2009 was \$108,359 and \$107,221, respectively.

Minimum future rental payments under this operating lease as of December 31, 2010 are:

2011	\$ 104,949
2012	107,048
2013	109,189
2014	<u>18,258</u>
Total	<u>\$ 339,444</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 2010 and 2009 is:

Financial Position	<u>2010</u>	<u>2009</u>
Assets		
Cash and short-term funds	\$ 1,467,525	\$ 1,409,318
Investments	21,998,344	22,372,414
Contributions receivable	<u>656,666</u>	<u>312,083</u>
Total assets	<u>\$ 24,122,535</u>	<u>\$ 24,093,815</u>
Liabilities and net assets		
Grants payable	\$ -	\$ 5,220
Organizational funds held for others	<u>2,067,676</u>	<u>4,428,919</u>
Total liabilities	2,067,676	4,434,139
Unrestricted net assets	<u>22,054,859</u>	<u>19,659,676</u>
Total liabilities and net assets	<u>\$ 24,122,535</u>	<u>\$ 24,093,815</u>

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**Note 13 - Affiliated Supporting Organization (Continued)**

Changes in Net Assets	<u>2010</u>	<u>2009</u>
Support, revenue, gains and losses		
Contributions, gross	\$ 1,872,416	\$ 1,985,479
Less contributions to organizational funds	<u>(32,491)</u>	<u>(302,429)</u>
Net Contributions	1,839,925	1,683,050
Interest and dividends, net of bank fees	426,031	476,013
Net realized and unrealized gains and losses on investments	2,132,563	3,564,131
Less interest, dividends, gains and losses to organizational funds	<u>(299,457)</u>	<u>(690,344)</u>
Net interest, dividends, and investment gains	<u>2,259,137</u>	<u>3,349,800</u>
Total support, revenue, gains and losses	<u>4,099,062</u>	<u>5,032,850</u>
Expenses		
Grants, net of refunds	4,027,087	920,158
Scholarships, net of refunds	(1,000)	14,275
Less grants and scholarships from organizational funds	<u>(2,625,331)</u>	<u>(259,279)</u>
Net grants and scholarships	1,400,756	675,154
Administrative fees	153,638	185,137
Other income(expenses)	11,442	13,640
Transfers from (to) other funds	157,489	100,837
Less other fund expenses from organizational funds	<u>(19,446)</u>	<u>(44,943)</u>
Total expenses	<u>1,703,879</u>	<u>929,825</u>
Change in net assets	<u>\$ 2,395,183</u>	<u>\$ 4,103,025</u>