

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011 and 2010 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 combined 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 combined 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, 2011 and 2010, and the changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
September 17, 2012

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**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 509,245	\$ 683,214
Investments, at fair value	124,272,787	132,819,378
Accrued interest receivable	232,569	288,040
Contributions receivable	16,666	656,666
	125,031,267	134,447,298
PROPERTY AND EQUIPMENT		
Real estate	2,050	2,050
Fixed assets, net of accumulated depreciation of \$45,486 and \$41,219, respectively	17,894	5,411
	19,944	7,461
NONCURRENT ASSETS		
Cash surrender value of life insurance	154,914	148,000
Other assets	6,528	5,922
	161,442	153,922
Total assets	\$ 125,212,653	\$ 134,608,681
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of grants payable	\$ 558,938	\$ 412,182
Accounts payable	1,758	51,390
Current portion of deferred revenue	6,628	12,593
	567,324	476,165
LONG-TERM LIABILITIES		
Grants payable	958,565	1,122,730
Deferred revenue	6,270	5,885
Organization endowment funds held for others	3,467,514	2,808,123
	4,999,673	4,412,903
NET ASSETS		
Unrestricted		
Donor advised	23,729,404	26,770,816
Donor designated	38,377,006	40,834,036
Scholarship	16,354,683	17,981,775
Unrestricted	20,406,850	25,446,667
Field of interest	21,190,123	19,014,484
Total unrestricted net assets	120,058,066	130,047,778
Temporarily restricted	154,914	148,000
Total net assets	120,212,980	130,195,778
Total liabilities and net assets	\$ 125,212,653	\$ 134,608,681

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2011**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions, gross	\$ 2,072,441	\$ -	\$ 2,072,441
Less contributions to organizational funds	<u>(885,502)</u>	<u>-</u>	<u>(885,502)</u>
Net contributions	<u>1,186,939</u>	<u>-</u>	<u>1,186,939</u>
Interest and dividends, net of bank fees of \$371,340	1,361,495	-	1,361,495
Net realized and unrealized gains (losses) on investments	(6,852,227)	-	(6,852,227)
Less interest, dividends and gains to organizational funds	<u>77,271</u>	<u>-</u>	<u>77,271</u>
Net interest, dividends and investment gains (losses)	<u>(5,413,461)</u>	<u>-</u>	<u>(5,413,461)</u>
Other income	<u>21,266</u>	<u>6,914</u>	<u>28,180</u>
Total support, revenue, gains and losses	<u>(4,205,256)</u>	<u>6,914</u>	<u>(4,198,342)</u>
EXPENSES			
Grants, net of refunds	4,062,366	-	4,062,366
Scholarships, net of refunds	<u>610,514</u>	<u>-</u>	<u>610,514</u>
Net grants and scholarships	4,672,880	-	4,672,880
Investment consultant fees	105,120	-	105,120
Salaries and benefits	716,837	-	716,837
Other operating expenses	399,245	-	399,245
Other fund expenses	4,095	-	4,095
Less other fund and operating expenses from organizational funds	<u>(113,721)</u>	<u>-</u>	<u>(113,721)</u>
Total expenses	<u>5,784,456</u>	<u>-</u>	<u>5,784,456</u>
CHANGE IN NET ASSETS	(9,989,712)	6,914	(9,982,798)
Net assets - beginning of year	<u>130,047,778</u>	<u>148,000</u>	<u>130,195,778</u>
Net assets - end of year	<u>\$ 120,058,066</u>	<u>\$ 154,914</u>	<u>\$ 120,212,980</u>

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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	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions, gross	\$ 2,865,348	\$ -	\$ 2,865,348
Less contributions to organizational funds	<u>(32,591)</u>	-	<u>(32,591)</u>
Net contributions	<u>2,832,757</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 on investments	12,247,000	-	12,247,000
Less interest, dividends and gains to organizational funds	<u>(381,414)</u>	-	<u>(381,414)</u>
Net interest, dividends and investment gains	<u>13,779,432</u>	-	<u>13,779,432</u>
Other income	<u>39,523</u>	<u>6,874</u>	<u>46,397</u>
Total support, revenue, gains and losses	<u>16,651,712</u>	<u>6,874</u>	<u>16,658,586</u>
EXPENSES			
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>(2,652,104)</u>
Net grants and scholarships	<u>5,987,906</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>(25,536)</u>
Total expenses	<u>7,105,300</u>	-	<u>7,105,300</u>
CHANGE IN NET ASSETS	<u>9,546,412</u>	<u>6,874</u>	<u>9,553,286</u>
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 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 1,876,444	\$ 2,548,202
Investment earnings, net of fees	1,438,766	1,532,432
Other income	20,660	38,748
Interest paid	-	(26)
Grants and scholarships paid	(4,690,289)	(6,157,377)
Cash paid to employees and suppliers	(1,156,557)	(1,105,262)
Net cash provided (used) by operating activities	(2,510,976)	(3,143,283)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of fixed assets	(16,750)	-
Purchase of investments, net of proceeds from sale of investments	1,694,366	5,431,171
Net cash provided (used) by investing activities	1,677,616	5,431,171
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	-	(1,474)
Net cash received for organization endowment funds held for others	659,391	(2,313,464)
Net cash provided (used) by financing activities	659,391	(2,314,938)
Net change in cash and cash equivalents	(173,969)	(27,050)
Cash and cash equivalents, beginning of year	683,214	710,264
Cash and cash equivalents, end of year	\$ 509,245	\$ 683,214
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (9,982,798)	\$ 9,553,286
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,267	5,691
Change in other assets and liabilities	615,330	(455,260)
Unrealized and realized net losses (gains) on investments	6,852,227	(12,247,000)
Net cash provided (used) by operating activities	\$ (2,510,974)	\$ (3,143,283)

See notes to combined financial statements.

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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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 14).

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

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 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, 2011 AND 2010

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, 2011 and 2010.

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 twenty 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, 2011 AND 2010

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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, 2011, 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, 2008 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, 2011 and 2010 was \$4,267 and \$5,691 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 fair value as determined by quoted prices in active markets for marketable securities and at estimated fair value based on the net asset value per share for certain nonmarketable securities. The market value of publicly 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 net asset value per share. Certain of the funds' underlying assets are based on estimates of fair value from models developed by 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 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
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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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 SFAS No. 136, 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, 2011 AND 2010

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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 the date the financial statements were issued.

Note 2 - Investments

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

Investments as of December 31, 2011:

	<u>Fair Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Corporate Stocks	\$ 53	\$ 238	\$ (186)
Mutual Funds	296,186	275,276	20,910
Money Market Funds	6,043,496	6,043,496	-
US Core Equities	29,762,816	33,389,031	(3,626,215)
US Mid/Small Growth Equities	7,210,925	5,017,393	2,193,532
US Mid/Small Value Equities	7,237,781	5,968,912	1,268,869
International Core Equities	25,203,281	29,161,210	(3,957,929)
Alternative	15,649,167	13,854,476	1,794,692
Fixed income	17,705,982	17,119,790	586,192
Real assets	<u>15,163,100</u>	<u>14,472,243</u>	<u>690,857</u>
	<u>\$ 124,272,787</u>	<u>\$ 125,302,065</u>	<u>\$ (1,029,278)</u>

Investments as of December 31, 2010:

	<u>Fair 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>

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, 2011 AND 2010

Note 2 - Investments (Continued)

Investment returns for the year ended December 31, 2011 was as follows:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 1,361,495	\$ -	\$ 1,361,495
Unrealized and realized gains (losses) on investments	(6,852,227)	-	(6,852,227)
Less amounts attributable to organizational funds	<u>77,271</u>	<u>-</u>	<u>77,271</u>
Total return on investments	<u>\$ (5,413,461)</u>	<u>\$ -</u>	<u>\$ (5,413,461)</u>

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

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>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>

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, 2011 and 2010 are as follows:

Fair Value Measurements at Reporting Date Using

<u>December 31, 2011</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	\$ 6,339,735	\$ 6,339,735	\$ -	\$ -
Available-for-sale securities	87,120,785	87,120,785	-	-
Alternative and real assets	<u>30,812,267</u>	<u>-</u>	<u>15,163,100</u>	<u>15,649,167</u>
Total investments at fair value	<u>\$124,272,787</u>	<u>\$ 93,460,520</u>	<u>\$ 15,163,100</u>	<u>\$ 15,649,167</u>

THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 3 - Fair Value Measurements (Continued)

<u>December 31, 2010</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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>

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, 2011 and 2010:

January 1, 2011	\$ 15,956,427
Total gains or losses (realized /unrealized) included in earnings	<u>(307,260)</u>
December 31, 2011	<u>\$ 15,649,167</u>
Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2011	<u>\$ 307,260</u>
January 1, 2010	\$ 15,690,057
Total gains or losses (realized /unrealized) included in earnings	708,137
Purchases, issuance, and settlements	<u>(441,767)</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>

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Note 4 - Net Asset Value (NAV) Per Share

In accordance with the fair value measurements and disclosures guidance, the category, fair value, redemption frequency, and redemption notice period for investments, the fair value of which are estimated using the NAV per share, as of December 31, 2011 and 2010, are as follows. There were no unfunded commitments as of December 31, 2011 and 2010.

	Fair Value		Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	<u>2011</u>	<u>2010</u>	2011 and 2010	
Real asset funds ^(a)	\$ 15,163,100	\$ 16,090,247		Daily/ monthly
Alternative hedge funds ^(b)	15,649,167	15,956,427		Quarterly/ monthly
Total	<u>\$ 30,812,267</u>	<u>\$ 32,046,674</u>		

(a) Funds in this category invest in common trust funds which consist of multi-strategy real assets and real estate assets to provide a diversified hedge against inflation as well as long-term real asset growth.

(b) Funds in this category invest in long/short-term global equity hedge funds and absolute return fund-of-fund hedge funds to achieve a long-term rate of return.

Note 5 - Endowment by Net Asset Class

For the year ended December 31, 2011:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Donor designated Endowment funds	\$ 31,534,393	\$ -	\$ 31,534,393
Other endowment funds:			
Undesignated	15,060,287	-	15,060,287
Field of interest	20,407,171	-	20,407,171
Donor advised	15,429,519	33,183	15,462,702
Scholarship	<u>13,914,133</u>	<u>121,731</u>	<u>14,035,864</u>
Total endowment funds	<u>\$ 96,345,503</u>	<u>\$ 154,914</u>	<u>\$ 96,500,417</u>

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Note 5 - Endowment by Net Asset Class (Continued)

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>

Note 6 - Changes in Endowment Net Assets

For the year ended December 31, 2011:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 104,784,409	\$ 148,000	\$ 104,932,409
Interest and dividends, Net of investment expense	1,463,552	6,914	1,470,466
Net appreciation (depreciation)	(5,541,657)	-	(5,541,657)
Contributions	426,111	-	426,111
Amounts appropriated for expenditure	<u>(4,786,912)</u>	<u>-</u>	<u>(4,786,912)</u>
Change in endowment net assets	<u>(8,438,906)</u>	<u>6,914</u>	<u>(8,431,992)</u>
Endowment net assets, end of year	<u>\$ 96,345,503</u>	<u>\$ 154,914</u>	<u>\$ 96,500,417</u>

For the year ended December 31, 2010:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 96,257,782	\$ 141,126	\$ 96,398,908
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 6 - Changes in Endowment Net Assets (Continued)

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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Endowment funds	\$ 96,500,417	\$ 104,932,409
Non endowment funds	<u>23,712,563</u>	<u>25,263,369</u>
Total net assets:	<u>\$ 120,212,980</u>	<u>\$ 130,195,778</u>

Note 7 - 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, 2011 and 2010.

Note 8 - Fixed Assets

Fixed Assets consisted of the following as of December 31:

	<u>2011</u>	<u>2010</u>
Computer and office equipment	\$ 45,655	\$ 28,905
Software	<u>17,725</u>	<u>17,725</u>
	63,380	46,630
Less accumulated depreciation	<u>(45,486)</u>	<u>(41,219)</u>
Fixed assets, net	<u>\$ 17,894</u>	<u>\$ 5,411</u>

Note 9 - 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, 2011, or 0.11%, was used to arrive at the present value. At December 31, 2011 and 2010, the present value discount effect was approximately \$11,857 and \$27,371, respectively. Unconditional grant commitments outstanding at December 31, 2011 will be disbursed as follows:

2012	\$ 558,938
2013	211,445
2014	124,178
2015	124,315
2016	124,451
Thereafter	<u>374,176</u>
Grants payable, net	1,517,503
Less current portion	<u>(558,938)</u>
Net long term grants payable	<u>\$ 958,565</u>

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Note 10 - 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, 2011 and 2010, the Foundation approved and paid grants with a net effect of approximately \$179,025 and \$144,038, respectively, to these organizations. At December 31, 2011 and 2010, the Foundation had grants payable, at net present value, of approximately \$1,238,234 and \$1,265,800, respectively, to these organizations.

Note 11 - Retirement Plan

The Foundation has a defined contribution retirement plan that covers all full-time employees having at least one year of service. For 2011 and 2010, contributions to the plan were computed at 8% of compensation. During 2011 and 2010, the Foundation recorded retirement plan expense of \$38,590 and \$38,970, respectively.

Note 12 - 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, 2011 and 2010, the Foundation assessed each fund an administrative fee of 0.80% and 0.85%, 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, 2011 and 2010 were \$988,744 and \$991,514, 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.

Note 13 - Operating Lease

The Foundation leases its office space under an operating lease expiring in February 2014. Rent expense for the years ended December 31, 2011 and 2010 was \$108,634 and \$108,359, respectively.

Minimum future rental payments under this operating lease as of December 31, 2011 are:

2012	\$ 107,048
2013	109,189
2014	<u>18,258</u>
Total	<u>\$ 234,495</u>

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Note 14 - 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 2011 and 2010 is:

Financial Position	<u>2011</u>	<u>2010</u>
Assets		
Cash and short-term funds	\$ 2,314,978	\$ 1,467,525
Investments	21,705,153	21,998,344
Contributions receivable	<u>16,666</u>	<u>656,666</u>
Total assets	<u>24,036,797</u>	<u>24,122,535</u>
Liabilities and net assets		
Organizational funds held for others	<u>2,789,038</u>	<u>2,067,676</u>
Total liabilities	2,789,038	2,067,676
Unrestricted net assets	<u>21,247,759</u>	<u>22,054,859</u>
Total liabilities and net assets	<u>\$ 24,036,797</u>	<u>\$ 24,122,535</u>
Changes in net assets		
Support, revenue, gains and losses		
Contributions, gross	\$ 1,815,351	\$ 1,872,416
Less contributions to organizational funds	<u>(885,502)</u>	<u>(32,491)</u>
Net Contributions	929,849	1,839,925
Interest and dividends, net of bank fees	395,840	426,031
Net realized and unrealized gains and losses on investments	(1,266,940)	2,132,563
Less interest, dividends, gains and losses to organizational funds	<u>57,719</u>	<u>(299,457)</u>
Net Interest, dividends, and investment gains	(813,381)	2,259,137
Total support, revenue, gains and losses	<u>116,468</u>	<u>4,099,062</u>
Expenses		
Grants, net of refunds	2,225,824	4,027,087
Scholarships, net of refunds	(935)	(1,000)
Less grants and scholarships from organizational funds	<u>-</u>	<u>(2,625,331)</u>
Net grants and scholarships	2,224,889	1,400,756
Administrative fees	176,102	153,638
Other income (expenses)	21,765	11,442
Transfers from (to) other funds	(1,418,834)	157,489
Less other fund expenses from organizational funds	<u>(80,354)</u>	<u>(19,446)</u>
Total expenses	<u>923,568</u>	<u>1,703,879</u>
Change in net assets	<u>\$ (807,100)</u>	<u>\$ 2,395,183</u>