

THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2012 AND 2011

WITH

INDEPENDENT AUDITOR'S REPORT

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of The Greater Kanawha Valley Foundation and Affiliated Supporting Organization, which comprise the combined statements of financial position of as of December 31, 2012 and 2011 and the related combined statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Greater Kanawha Valley Foundation and Affiliated Supporting Organization as of December 31, 2012 and 2011, and the changes in their net assets, and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia  
September 16, 2013

**THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 368,256	\$ 509,245
Investments, at fair value	133,671,099	124,272,787
Accrued interest receivable	232,804	232,569
Contributions receivable	57,953,061	16,666
Total current assets	192,225,220	125,031,267
<b>PROPERTY AND EQUIPMENT</b>		
Real estate	2,050	2,050
Fixed assets, net of accumulated depreciation of \$49,980 and \$45,486, respectively	13,400	17,894
	15,450	19,944
<b>NONCURRENT ASSETS</b>		
Cash surrender value of life insurance	161,850	154,914
Other assets	7,920	6,528
	169,770	161,442
Total assets	\$ 192,410,440	\$ 125,212,653
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of grants payable	\$ 708,192	\$ 558,938
Accounts payable	17,645	1,758
Current portion of deferred revenue	6,628	6,628
Total current liabilities	732,465	567,324
<b>LONG-TERM LIABILITIES</b>		
Grants payable	969,900	958,565
Deferred revenue	4,557	6,270
Organization endowment funds held for others	4,120,742	3,467,514
Total liabilities	5,827,664	4,999,673
<b>NET ASSETS</b>		
Unrestricted		
Donor advised	82,195,245	23,729,404
Donor designated	41,385,447	38,377,006
Scholarship	16,951,937	16,354,683
Unrestricted	21,778,773	20,406,850
Field of interest	24,109,524	21,190,123
Total unrestricted net assets	186,420,926	120,058,066
Temporarily restricted	161,850	154,914
Total net assets	186,582,776	120,212,980
Total liabilities and net assets	\$ 192,410,440	\$ 125,212,653

*See notes to combined financial statements.*

**THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
COMBINED STATEMENT OF ACTIVITY  
YEAR ENDED DECEMBER 31, 2012**

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	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, GAINS AND LOSSES</b>			
Contributions, gross	\$ 61,470,336	\$ -	\$ 61,470,336
Less contributions to organizational funds	(411,107)	-	(411,107)
Net contributions	61,059,229	-	61,059,229
Interest and dividends, net of bank fees of \$348,846	3,737,452	-	3,737,452
Net realized and unrealized gains (losses) on investments	9,500,072	-	9,500,072
Less interest, dividends and gains to organizational funds	(372,455)	-	(372,455)
Net interest, dividends and investment gains (losses)	12,865,069	-	12,865,069
Other income	8,936	6,936	15,872
Total support, revenue, gains and losses	73,933,234	6,936	73,940,170
<b>EXPENSES</b>			
Grants, net of refunds	5,966,002	-	5,966,002
Scholarships, net of refunds	473,100	-	473,100
Less grants and scholarships from organizational funds	(100,318)	-	(100,318)
Net grants and scholarships	6,338,784	-	6,338,784
Investment consultant fees	101,951	-	101,951
Salaries and benefits	723,117	-	723,117
Other operating expenses	408,833	-	408,833
Other fund expenses	27,705	-	27,705
Less other fund and operating expenses from organizational funds	(30,016)	-	(30,016)
Total expenses	7,570,374	-	7,570,374
<b>CHANGE IN NET ASSETS</b>	66,362,860	6,936	66,369,796
Net assets - beginning of year	120,058,066	154,914	120,212,980
Net assets - end of year	\$ 186,420,926	\$ 161,850	\$ 186,582,776

*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>
<b>SUPPORT, REVENUE, GAINS AND LOSSES</b>			
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	<u>(6,852,227)</u>	<u>-</u>	<u>(6,852,227)</u>
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>
<b>EXPENSES</b>			
Grants, net of refunds	4,062,366	-	4,062,366
Scholarships, net of refunds	610,514	-	610,514
Net grants and scholarships	<u>4,672,880</u>	<u>-</u>	<u>4,672,880</u>
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>
<b>CHANGE IN NET ASSETS</b>	(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 STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 3,122,597	\$ 1,876,444
Investment earnings, net of fees	3,364,996	1,438,766
Other income	7,544	20,660
Grants and scholarships paid	(6,178,195)	(4,690,289)
Cash paid to employees and suppliers	(1,212,919)	(1,156,557)
Net cash provided (used) by operating activities	(895,977)	(2,510,976)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchases of fixed assets	-	(16,750)
Purchase of investments, net of proceeds from sale of investments	101,760	1,694,366
Net cash provided (used) by investing activities	101,760	1,677,616
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash received for organization endowment funds held for others	653,228	659,391
Net cash provided (used) by financing activities	653,228	659,391
Net change in cash and cash equivalents	(140,989)	(173,969)
Cash and cash equivalents, beginning of year	509,245	683,214
Cash and cash equivalents, end of year	\$ 368,256	\$ 509,245
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 66,369,796	\$ (9,982,798)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,494	4,267
Change in contributions receivable	(57,936,395)	640,000
Change in other assets and liabilities	166,200	(24,672)
Unrealized and realized net losses (gains) on investments	(9,500,072)	6,852,227
Net cash provided (used) by operating activities	\$ (895,977)	\$ (2,510,976)

*See notes to combined financial statements.*



THE GREATER KANAWHA VALLEY FOUNDATION  
AND AFFILIATED SUPPORTING ORGANIZATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

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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 comprised 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 Trustees, 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, 2012 AND 2011

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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 Trustees has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted 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, 2012 and 2011.

**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  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

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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 on its exempt activities 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, 2012, 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, 2009 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, 2012 and 2011 was \$4,494 and \$4,267, 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, which are not included as part of the investment portfolio, 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.

THE GREATER KANAWHA VALLEY FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

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

**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 professional standards contained in FASB codification section 958-605-25, 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 professional standard identified 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.

THE GREATER KANAWHA VALLEY FOUNDATION  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**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 financial position.

**Program Expenses**

Approximately 87% of total expenditures were for program costs, 11% for operating costs and 2% for fundraising.

**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, 2012:

	<u>Fair Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Money Market Funds	\$ 7,093,133	\$ 7,093,133	\$ -
US Core Equities	22,655,859	20,898,542	1,757,317
US Mid/Small Growth Equities	15,474,789	13,130,102	2,344,687
US Mid/Small Value Equities	7,926,556	6,544,907	1,381,649
International Core Equities	30,891,458	30,708,299	183,159
Alternative	15,070,377	13,585,358	1,485,019
Fixed income	18,407,915	17,973,400	434,515
Real assets	<u>16,151,012</u>	<u>14,874,392</u>	<u>1,276,620</u>
	<u>\$ 133,671,099</u>	<u>\$ 124,808,133</u>	<u>\$ 8,862,966</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**Note 2 - Investments (Continued)**

Investments as of December 31, 2011:

	<u>Fair Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Money Market Funds	\$ 6,043,496	\$ 6,043,496	\$ -
US Core Equities	30,059,055	33,664,545	(3,605,490)
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	1,794,691
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>

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, 2012 was as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 3,737,452	\$ -	\$ 3,737,452
Unrealized and realized gains on investments	9,500,072	-	9,500,072
Less amounts attributable to organizational funds	<u>(372,455)</u>	<u>-</u>	<u>(372,455)</u>
Total return on investments	<u>\$ 12,865,069</u>	<u>\$ -</u>	<u>\$ 12,865,069</u>

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

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

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, 2012 and 2011 are as follows:

Fair Value Measurements at Reporting Date Using

<u>December 31, 2012</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)
Money market funds	\$ 7,093,133	\$ 7,093,133	\$ -	\$ -
Equity funds	76,948,662	76,948,662	-	-
Fixed income	18,407,915	18,407,915	-	-
Alternative and real assets	<u>31,221,389</u>	<u>-</u>	<u>16,151,012</u>	<u>15,070,377</u>
Total investments at fair value	<u>\$133,671,099</u>	<u>\$ 102,449,710</u>	<u>\$ 16,151,012</u>	<u>\$ 15,070,377</u>

<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)
Money market funds	\$ 6,043,496	\$ 6,043,496	\$ -	\$ -
Equity funds	69,711,042	69,711,042	-	-
Fixed income	17,705,982	17,705,982	-	-
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>

**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, 2012 and 2011:

January 1, 2012	\$ 15,649,167
Total gains or losses (realized /unrealized) included in earnings	<u>(578,790)</u>
December 31, 2012	<u>\$ 15,070,377</u>
Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2012	<u>\$ (578,790)</u>

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**Note 3 - Fair Value Measurements (Continued)**

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>

**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, 2012 and 2011, are as follows. There were no unfunded commitments as of December 31, 2012 and 2011.

	Fair Value		Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	2012	2011	2012 and 2011	
Real asset funds <sup>(a)</sup>	\$ 16,151,012	\$ 15,163,100		Daily/ monthly
Alternative hedge funds <sup>(b)</sup>	15,070,377	15,649,167		Quarterly/ monthly
Total	<u>\$ 31,221,389</u>	<u>\$ 30,812,267</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 funds hedge funds to achieve a long-term rate of return.



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**Note 5 - Endowment by Net Asset Class**

For the year ended December 31, 2012:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Donor designated endowment funds	\$ 33,923,032	\$ -	\$ 33,923,032
Other endowment funds			
Undesignated	16,541,900	-	16,541,900
Field of interest	23,296,047	-	23,296,047
Donor advised	73,342,549	34,176	73,376,725
Scholarship	<u>15,136,457</u>	<u>127,674</u>	<u>15,264,131</u>
Total endowment funds	<u>\$ 162,239,985</u>	<u>\$ 161,850</u>	<u>\$ 162,401,835</u>

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>

**Note 6 - Changes in Endowment Net Assets**

For the year ended December 31, 2012:

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 96,345,503</u>	<u>\$ 154,914</u>	<u>\$ 96,500,417</u>
Interest and dividends, net of investment expense	2,706,390	6,936	2,713,326
Net appreciation (depreciation)	7,818,743	-	7,818,743
Contributions	60,081,616	-	60,081,616
Amounts appropriated for expenditure	<u>(4,712,267)</u>	<u>-</u>	<u>(4,712,267)</u>
Change in endowment net assets	<u>65,894,482</u>	<u>6,936</u>	<u>65,901,418</u>
Endowment net assets, end of year	<u>\$ 162,239,985</u>	<u>\$ 161,850</u>	<u>\$ 162,401,835</u>

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**Note 6 - Changes in Endowment Net Assets (Continued)**

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>

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, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Endowment funds	\$ 162,401,835	\$ 96,500,417
Non endowment funds	<u>24,180,941</u>	<u>23,712,563</u>
Total net assets:	<u>\$ 186,582,776</u>	<u>\$ 120,212,980</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, 2012 and 2011.

**Note 8 - Fixed Assets**

Fixed Assets consisted of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Computer and office equipment	\$ 45,655	\$ 45,655
Software	<u>17,725</u>	<u>17,725</u>
	63,380	63,380
Less accumulated depreciation	<u>(49,980)</u>	<u>(45,486)</u>
Fixed assets, net	<u>\$ 13,400</u>	<u>\$ 17,894</u>

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**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, 2012, or 0.15%, was used to arrive at the present value. At December 31, 2012 and 2011, the present value discount effect was approximately \$6,928 and \$11,857, respectively. Unconditional grant commitments outstanding at December 31, 2012 are schedule to be disbursed as follows:

2013	\$	708,192
2014		161,045
2015		161,286
2016		161,528
2017		161,771
Thereafter		<u>324,270</u>
Grants payable, net		1,678,092
Less current portion		<u>(708,192)</u>
Net long term grants payable	\$	<u>969,900</u>

**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, 2012 and 2011, the Foundation approved and paid grants with a net effect of approximately \$1,429,281 and \$179,025, respectively, to these organizations. At December 31, 2012 and 2011, the Foundation had grants payable, at net present value, of approximately \$1,277,548 and \$1,238,234, 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 2012 and 2011, contributions to the plan were computed at 8% of compensation. During 2012 and 2011, the Foundation recorded retirement plan expense of \$36,386 and \$38,590, 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.

However, for the years ended December 31, 2012 and 2011, the Foundation assessed each fund only an administrative fee of 0.80% 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, 2012 and 2011 were \$948,082 and \$988,744, 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 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, 2012 and 2011 was \$108,759 and \$108,634, respectively.

Minimum future rental payments under this operating lease as of December 31, 2012 are:

2013	\$ 109,189
2014	<u>18,258</u>
 Total	 <u>\$ 127,447</u>

**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 2012 and 2011 is:

<b>Financial Position</b>	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and short-term funds	\$ 2,646,513	\$ 2,314,978
Investments	23,963,700	21,705,153
Contributions receivable	<u>57,953,061</u>	<u>16,666</u>
Total assets	<u>\$ 84,563,274</u>	<u>\$ 24,036,797</u>
<b>Liabilities and net assets</b>		
Organizational funds held for others	<u>\$ 3,398,823</u>	<u>\$ 2,789,038</u>
Total liabilities	3,398,823	2,789,038
Unrestricted net assets	<u>81,164,451</u>	<u>21,247,759</u>
Total liabilities and net assets	<u>\$ 84,563,274</u>	<u>\$ 24,036,797</u>

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**Note 14 - Affiliated Supporting Organization (Continued)**

**Changes in net assets**

Support, revenue, gains and losses

Contributions, gross	\$ 59,399,734	\$ 1,815,351
Less contributions to organizational funds	<u>(411,107)</u>	<u>(885,502)</u>
Net Contributions	58,988,627	929,849
Interest and dividends, net of bank fees	338,375	395,840
Net realized and unrealized gains and losses on investments	2,137,198	(1,266,940)
Less interest, dividends, gains and losses to organizational funds	<u>(304,562)</u>	<u>57,719</u>
Net interest, dividends, and investment gains	2,171,011	(813,381)
Total support, revenue, gains and losses	<u>61,159,638</u>	<u>116,468</u>

Expenses

Grants, net of refunds	1,039,038	2,225,824
Scholarships, net of refunds	2,250	(935)
Less grants and scholarships from organizational funds	<u>(81,438)</u>	<u>-</u>
Net grants and scholarships	959,850	2,224,889
Administrative fees	176,010	176,102
Other income (expenses)	36,423	21,765
Transfers from (to) other funds	95,109	(1,418,834)
Less other fund expenses from organizational funds	<u>(24,446)</u>	<u>(80,354)</u>
Total expenses	<u>1,242,946</u>	<u>923,568</u>
Change in net assets	<u>\$ 59,916,692</u>	<u>\$ (807,100)</u>