

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

WITH

INDEPENDENT AUDITOR'S REPORT

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
COMBINED FINANCIAL STATEMENTS	
Combined statements of financial position	5
Combined statement of activity year ended December 31, 2015	6
Combined statement of activity year ended December 31, 2014	7
Combined statements of cash flows	8
Notes to combined financial statements	9

INDEPENDENT AUDITOR'S REPORT

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

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 as of December 31, 2015 and 2014 and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined 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 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.

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, 2015 and 2014, 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 "Seattle & Stalaker, PLLC".

Charleston, West Virginia
September 19, 2016

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 434,683	\$ 205,249
Investments, at fair value	212,868,940	221,545,018
Accrued interest receivable	148,028	212,684
Contributions receivable	120,023	47,803
	213,571,674	222,010,754
PROPERTY AND EQUIPMENT		
Real estate	40,000	40,000
Fixed assets, net of accumulated depreciation of \$65,737 and \$59,533, respectively	11,910	18,114
	51,910	58,114
NONCURRENT ASSETS		
Beneficial interest in trust	1,682,207	2,081,065
Cash surrender value of life insurance	182,446	175,493
Other assets	13,140	12,335
	1,877,793	2,268,893
Total assets	\$ 215,501,377	\$ 224,337,761
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of grants payable	\$ 557,245	\$ 518,450
Accounts payable	54,227	21,403
Deferred revenue	6,497	3,800
	617,969	543,653
LONG-TERM LIABILITIES		
Grants payable	481,604	646,439
Organization endowment funds held for others	5,978,291	5,610,726
	7,077,864	6,800,818
NET ASSETS		
Unrestricted		
Donor advised	78,473,483	81,969,348
Donor designated	56,299,787	57,367,794
Scholarship	17,592,030	18,572,139
Unrestricted	29,838,556	32,056,006
Field of interest	24,355,003	25,315,097
Total unrestricted net assets	206,558,859	215,280,384
Temporarily restricted	1,864,654	2,256,559
	208,423,513	217,536,943
Total liabilities and net assets	\$ 215,501,377	\$ 224,337,761

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2015**

6

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions, gross	\$ 4,720,910	\$ -	\$ 4,720,910
Less contributions to organizational funds	(722,398)	-	(722,398)
Net contributions	<u>3,998,512</u>	<u>-</u>	<u>3,998,512</u>
Interest and dividends, net of bank fees of \$682,116	5,004,176	-	5,004,176
Net realized and unrealized gains (losses) on investments	(10,197,325)	-	(10,197,325)
Less interest, dividends and gains to organizational funds	122,578	-	122,578
Net interest, dividends and investment gains (losses)	<u>(5,070,571)</u>	<u>-</u>	<u>(5,070,571)</u>
Change in beneficial interest in trust	-	(398,858)	(398,858)
Other income	<u>172,385</u>	<u>6,953</u>	<u>179,338</u>
Total support, revenue, gains (losses)	<u>(899,674)</u>	<u>(391,905)</u>	<u>(1,291,579)</u>
EXPENSES			
Grants, net of refunds	5,561,308	-	5,561,308
Scholarships, net of refunds	678,600	-	678,600
Less grants and scholarships from organizational funds	(182,580)	-	(182,580)
Net grants and scholarships	<u>6,057,328</u>	<u>-</u>	<u>6,057,328</u>
Investment consultant fees	116,065	-	116,065
Salaries and benefits	897,344	-	897,344
Other operating expenses	534,820	-	534,820
Other fund expenses	265,968	-	265,968
Less other fund and operating expenses from organizational funds	(49,674)	-	(49,674)
Total expenses	<u>7,821,851</u>	<u>-</u>	<u>7,821,851</u>
CHANGE IN NET ASSETS	(8,721,525)	(391,905)	(9,113,430)
Net assets - beginning of year	<u>215,280,384</u>	<u>2,256,559</u>	<u>217,536,943</u>
Net assets - end of year	<u>\$ 206,558,859</u>	<u>\$ 1,864,654</u>	<u>\$ 208,423,513</u>

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
COMBINED STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2014**

7

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND LOSSES			
Contributions, gross	\$ 12,764,360	\$ -	\$ 12,764,360
Less contributions to organizational funds	<u>(678,965)</u>	<u>-</u>	<u>(678,965)</u>
Net contributions	<u>12,085,395</u>	<u>-</u>	<u>12,085,395</u>
Interest and dividends, net of bank fees of \$525,927	5,323,602	-	5,323,602
Net realized and unrealized gains (losses) on investments	(860,903)	-	(860,903)
Less interest, dividends and gains to organizational funds	<u>(179,125)</u>	<u>-</u>	<u>(179,125)</u>
Net interest, dividends and investment gains (losses)	<u>4,283,574</u>	<u>-</u>	<u>4,283,574</u>
Change in beneficial interest in trust	-	(809,977)	(809,977)
Other income	<u>12,775</u>	<u>6,832</u>	<u>19,607</u>
Total support, revenue, gains (losses)	<u>16,381,744</u>	<u>(803,145)</u>	<u>15,578,599</u>
EXPENSES			
Grants, net of refunds	7,175,984	-	7,175,984
Scholarships, net of refunds	518,570	-	518,570
Less grants and scholarships from organizational funds	<u>(139,010)</u>	<u>-</u>	<u>(139,010)</u>
Net grants and scholarships	<u>7,555,544</u>	<u>-</u>	<u>7,555,544</u>
Investment consultant fees	109,916	-	109,916
Salaries and benefits	807,263	-	807,263
Other operating expenses	454,812	-	454,812
Other fund expenses	79,858	-	79,858
Less other fund and operating expenses from organizational funds	<u>(46,668)</u>	<u>-</u>	<u>(46,668)</u>
Total expenses	<u>8,960,725</u>	<u>-</u>	<u>8,960,725</u>
CHANGE IN NET ASSETS	7,421,019	(803,145)	6,617,874
Net assets - beginning of year	<u>207,859,365</u>	<u>3,059,704</u>	<u>210,919,069</u>
Net assets - end of year	<u>\$ 215,280,384</u>	<u>\$ 2,256,559</u>	<u>\$ 217,536,943</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, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 3,990,948	\$ 76,203,852
Investment earnings, net of fees	5,126,754	5,144,476
Other income	171,580	11,049
Grants and scholarships paid	(6,183,368)	(7,861,771)
Cash paid to employees and suppliers	(1,722,797)	(1,422,865)
Net cash provided by (used in) operating activities	1,383,117	72,074,741
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of investments, net of proceeds from sale of investments	(1,521,248)	(72,729,037)
Net cash provided by (used in) investing activities	(1,521,248)	(72,729,037)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash received for organization endowment funds held for others	367,565	672,733
Net cash provided by (used in) financing activities	367,565	672,733
Net change in cash and cash equivalents	229,434	18,437
Cash and cash equivalents, beginning of year	205,249	186,812
Cash and cash equivalents, end of year	\$ 434,683	\$ 205,249
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ (9,113,430)	\$ 6,617,874
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,203	6,203
Change in receivables	(7,564)	64,179,802
Change in beneficial interest in trust	398,858	809,977
Change in other assets and liabilities	(98,275)	(400,018)
Realized and unrealized gains (losses) on investments	10,197,325	860,903
Net cash provided by (used in) operating activities	\$ 1,383,117	\$ 72,074,741

See notes to combined financial statements.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

9

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 15).

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.

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.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

10

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

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, 2015 and 2014.

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.

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.

For the year ended December 31, 2014, the Foundation has no material uncertain tax positions to be accounted for in the financial statements. 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, 2012 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, 2015 and 2014 was \$6,203 and \$6,203, respectively.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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. Due to the nature of contributions receivable, the Foundation does not believe an allowance for doubtful accounts is necessary as of December 31, 2015 and 2014.

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

Contributed Services

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

Endowment Funds Held for the Benefit of Others

In accordance with 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 GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

12

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

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 and equity funds.

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 financial position.

Program Expenses

Approximately 90% of total expenditures were for program costs, 9% for operating costs and 1% for fundraising.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 19, 2016 the date the financial statements were issued.

Note 2 - Beneficial Interest in Trust

During 2013, the Foundation became aware that they were the beneficiary of a Charitable Remainder Unitrust whose assets are held by a third party trustee. This amount is included as a noncurrent asset in the statement of financial position.

The trust provides for payments to be made to a specific beneficiary for the beneficiary's lifetime. Upon the death of the beneficiary, the remaining assets of the trust will be distributed to the Foundation. In accordance with professional accounting standards, the Foundation records the asset as a beneficial interest in trust. The trust is valued at its estimated fair value based on the value of the assets held by the trust and actuarial assumptions.

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 3 - 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, 2015:

	<u>Fair Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Money Market Funds	\$ 16,112,950	\$ 16,112,950	\$ -
US Core Equities	39,808,417	31,450,773	8,357,644
US Mid/Small Growth Equities	23,754,117	19,525,458	4,228,659
US Mid/Small Value Equities	13,979,202	13,672,777	306,425
International Core Equities	48,225,166	50,141,078	(1,915,912)
Alternative	24,851,167	21,244,961	3,606,206
Fixed income	32,317,383	35,528,963	(3,211,580)
Real assets	13,820,538	16,612,009	(2,791,471)
	<u>\$ 212,868,940</u>	<u>\$ 204,288,969</u>	<u>\$ 8,579,971</u>

Investments as of December 31, 2014:

	<u>Fair Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gain</u>
Money Market Funds	\$ 21,830,713	\$ 21,830,713	\$ -
US Core Equities	45,414,106	34,742,412	10,671,694
US Mid/Small Growth Equities	18,300,983	14,048,277	4,252,706
US Mid/Small Value Equities	16,091,902	14,536,778	1,555,124
International Core Equities	45,018,738	43,784,883	1,233,855
Alternative	24,783,242	20,930,312	3,852,930
Fixed income	32,941,243	34,717,064	(1,775,821)
Real assets	17,164,091	17,540,386	(376,295)
	<u>\$ 221,545,018</u>	<u>\$ 202,130,825</u>	<u>\$ 19,414,193</u>

Amounts reported above as alternative consist of investments in hedge funds, which consist of long/short-term 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
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 3 - Investments (Continued)

Investment returns for the year ended December 31, 2015 was as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 5,004,176	\$ -	\$ 5,004,176
Realized and unrealized gains (losses) on investments	(10,197,325)	-	(10,197,325)
Less amounts attributable to organizational funds	<u>122,578</u>	<u>-</u>	<u>122,578</u>
Total return on investments	<u>\$ (5,070,571)</u>	<u>\$ -</u>	<u>\$ (5,070,571)</u>

Investment returns for the year ended December 31, 2014 was as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Interest and dividends, net of fees	\$ 5,323,602	\$ -	\$ 5,323,602
Realized and unrealized gains (losses) on investments	(860,903)	-	(860,903)
Less amounts attributable to organizational funds	<u>(179,125)</u>	<u>-</u>	<u>(179,125)</u>
Total return on investments	<u>\$ 4,283,574</u>	<u>\$ -</u>	<u>\$ 4,283,574</u>

Note 4 - 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, are as follows:

Fair Value Measurements at Reporting Date Using

<u>December 31, 2015</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>
Money market funds	\$ 16,112,950	\$ 16,112,950	\$ -	\$ -
Equity funds	125,766,902	122,373,195	3,393,707	-
Fixed income	32,317,383	32,317,383	-	-
Alternative and real assets	<u>38,671,705</u>	<u>15,647,619</u>	<u>5,567,427</u>	<u>17,456,659</u>
Total investments at fair value	<u>\$ 212,868,940</u>	<u>\$ 186,451,147</u>	<u>\$ 8,961,134</u>	<u>\$ 17,456,659</u>
Beneficial interest in trust	<u>\$ 1,682,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,207</u>

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 4 - Fair Value Measurements (Continued)

<u>December 31, 2014</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>
Money market funds	\$ 21,830,713	\$ 21,830,713	\$ -	\$ -
Equity funds	124,825,729	120,354,102	4,471,627	-
Fixed income	32,941,243	32,941,243	-	-
Alternative and real assets	<u>41,947,333</u>	<u>18,850,592</u>	<u>5,977,271</u>	<u>17,119,470</u>
Total investments at fair value	<u>\$ 221,545,018</u>	<u>\$ 193,976,650</u>	<u>\$ 10,448,898</u>	<u>\$ 17,119,470</u>
Beneficial interest in trust	<u>\$ 2,081,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,081,065</u>

Level 3 Assets

The following table provides a summary of changes of the Alternative and Real Assets and Beneficial Interest in Trust measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2015 and 2014:

	<u>Alternative and Real Assets</u>	<u>Beneficial Interest in Trust</u>
January 1, 2015	\$ 17,119,470	\$ 2,081,065
Total gains or losses (realized /unrealized) included in earnings	337,189	-
Change in beneficial interest in trust	-	<u>(398,858)</u>
December 31, 2015	<u>\$ 17,456,659</u>	<u>\$ 1,682,207</u>
Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2015	<u>\$ 337,189</u>	
	<u>Alternative and Real Assets</u>	<u>Beneficial Interest in Trust</u>
January 1, 2014	\$ 16,891,192	\$ 2,891,042
Total gains or losses (realized /unrealized) included in earnings	228,278	-
Change in beneficial interest in trust	-	<u>(809,977)</u>
December 31, 2014	<u>\$ 17,119,470</u>	<u>\$ 2,081,065</u>
Net unrealized gains (losses) included in net income relating to assets still held at December 31, 2014	<u>\$ 228,278</u>	

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 5 - 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, 2015 and 2014, are as follows. There were no unfunded commitments as of December 31, 2015 and 2014.

	Fair Value		Redemption Frequency (If Currently Eligible) Redemption Notice Period	
	<u>2015</u>	<u>2014</u>	2015 and 2014	
Real asset funds ^(a)	\$ 5,567,427	\$ 5,977,271	Daily	Daily
Alternative hedge funds ^(b)	17,456,659	17,119,470	Quarterly/ monthly	Quarterly
Equity funds ^(c)	3,393,707	4,471,627	Monthly	Monthly
Total	<u>\$ 26,417,793</u>	<u>\$ 27,568,368</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.
- (c) Funds in this category invest in value-oriented small and mid-sized equity securities.

Note 6 - Endowment by Net Asset Class

For the year ended December 31, 2015:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Donor designated endowment funds	\$ 47,828,954	\$ -	\$ 47,828,954
Other endowment funds			
Undesignated	22,984,487	1,682,208	24,666,695
Field of interest	23,757,696	-	23,757,696
Donor advised	69,519,393	36,677	69,556,070
Scholarship	<u>15,731,959</u>	<u>145,769</u>	<u>15,877,728</u>
Total endowment funds	<u>\$ 179,822,489</u>	<u>\$ 1,864,654</u>	<u>\$ 181,687,143</u>

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 6 - Endowment by Net Asset Class (Continued)

For the year ended December 31, 2014:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Donor designated endowment funds	\$ 48,398,116	\$ -	\$ 48,398,116
Other endowment funds			
Undesignated	25,065,532	2,081,066	27,146,598
Field of interest	24,772,119	-	24,772,119
Donor advised	72,652,080	35,938	72,688,018
Scholarship	16,669,534	139,555	16,809,089
	<u>\$ 187,557,381</u>	<u>\$ 2,256,559</u>	<u>\$ 189,813,940</u>

Note 7 - Changes in Endowment Net Assets

For the year ended December 31, 2015:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 187,557,381</u>	<u>\$ 2,256,559</u>	<u>\$ 189,813,940</u>
Interest and dividends, net of investment expense	4,419,790	6,953	4,426,743
Net appreciation (depreciation)	(8,783,334)	(398,858)	(9,182,192)
Contributions	3,079,380	-	3,079,380
Amounts appropriated for expenditure	(6,450,728)	-	(6,450,728)
Change in endowment net assets	<u>(7,734,892)</u>	<u>(391,905)</u>	<u>(8,126,797)</u>
Endowment net assets, end of year	<u>\$ 179,822,489</u>	<u>\$ 1,864,654</u>	<u>\$ 181,687,143</u>

For the year ended December 31, 2014:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 180,931,421</u>	<u>\$ 3,059,704</u>	<u>\$ 183,991,125</u>
Interest and dividends, net of investment expense	4,466,342	6,832	4,473,174
Net appreciation (depreciation)	(1,089,479)	(809,977)	(1,899,456)
Contributions	10,823,862	-	10,823,862
Amounts appropriated for expenditure	(7,574,765)	-	(7,574,765)
Change in endowment net assets	<u>6,625,960</u>	<u>(803,145)</u>	<u>5,822,815</u>
Endowment net assets, end of year	<u>\$ 187,557,381</u>	<u>\$ 2,256,559</u>	<u>\$ 189,813,940</u>

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 7 - 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:

	<u>2015</u>	<u>2014</u>
Endowment funds	\$ 181,687,143	\$ 189,813,940
Non endowment funds	<u>26,736,370</u>	<u>27,723,003</u>
Total net assets	<u>\$ 208,423,513</u>	<u>\$ 217,536,943</u>

Note 8 - 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, 2015 and 2014.

Note 9 - Fixed Assets

Fixed assets consisted of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Computer and office equipment	\$ 59,922	\$ 59,922
Software	<u>17,725</u>	<u>17,725</u>
	77,647	77,647
Less accumulated depreciation	<u>(65,737)</u>	<u>(59,533)</u>
Fixed assets, net	<u>\$ 11,910</u>	<u>\$ 18,114</u>

Note 10 - 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, 2015, or 0.61%, was used to arrive at the present value. At December 31, 2015 and 2014, the present value discount effect was \$9,808 and \$5,338, respectively. Unconditional grant commitments outstanding at December 31, 2015 are scheduled to be disbursed as follows:

2016	\$ 557,245
2017	159,558
2018	160,533
2019	<u>161,513</u>
Grants payable, net	1,038,849
Less current portion	<u>(557,245)</u>
Net long term grants payable	<u>\$ 481,604</u>

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 11 - 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, 2015 and 2014, the Foundation approved and paid grants with a net effect of approximately \$341,346 and \$244,213, respectively, to these organizations. At December 31, 2015 and 2014, the Foundation had grants payable, at net present value, of approximately \$580,456 and \$640,894, respectively, to these organizations.

Note 12 - Retirement Plan

The Foundation has a defined contribution retirement plan that covers all full-time employees having at least one year of service. For 2015 and 2014, contributions to the plan were computed at 8% of compensation. During 2015 and 2014, the Foundation recorded retirement plan expense of \$46,043 and \$45,291, respectively.

Note 13 - 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, 2015 and 2014, the Foundation assessed each fund only an administrative fee of 0.80% (affiliates at 1%) and 0.90% (affiliates at 1%), 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, 2015 and 2014 were \$1,615,065 and \$1,257,110, 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 14 - Operating Lease

The Foundation leases its office space under an operating lease expiring in February 2019. Rent expense for the years ended December 31, 2015 and 2014 was \$120,718 and \$118,320, respectively.

Minimum future rental payments under this operating lease as of December 31, 2015 are:

2016	\$ 115,872
2017	118,190
2018	120,553
2019	<u>20,158</u>
Total	<u>\$ 374,773</u>

**THE GREATER KANAWHA VALLEY FOUNDATION
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

20

Note 15 - Affiliated Supporting Organization

As discussed in Note 1, the Foundation has an affiliated supporting organization, TGKVF, Inc. Summarized financial information for this supporting organization as of December 31 is as follows:

Financial Position	<u>2015</u>	<u>2014</u>
Assets		
Cash and short-term funds	\$ 6,052,487	\$ 7,450,234
Investments	79,009,158	80,279,142
Real estate	40,000	40,000
Contributions receivable	120,023	-
Total assets	<u><u>\$ 85,221,668</u></u>	<u><u>\$ 87,769,376</u></u>
Liabilities and net assets		
Grants payable	\$ 14,934	\$ 10,360
Organizational funds held for others	5,205,620	4,791,085
Total liabilities	<u>5,220,554</u>	<u>4,801,445</u>
Unrestricted net assets	<u>80,001,114</u>	<u>82,967,931</u>
Total liabilities and net assets	<u><u>\$ 85,221,668</u></u>	<u><u>\$ 87,769,376</u></u>
Changes in Net Assets		
Support, revenue, gains and losses		
Contributions, gross	\$ 2,047,812	\$ 2,218,732
Less contributions to organizational funds	<u>(722,398)</u>	<u>(678,915)</u>
Net contributions	1,325,414	1,539,817
Interest and dividends, net of bank fees	2,079,114	2,109,737
Net realized and unrealized gains (losses) on investments	(4,038,574)	(1,057,073)
Less interest, dividends, gains (losses) to organizational funds	<u>105,830</u>	<u>(158,079)</u>
Net interest, dividends, and investment gains	<u>(1,853,630)</u>	<u>894,585</u>
Total support, revenue, gains (losses)	<u>(528,216)</u>	<u>2,434,402</u>
Expenses		
Grants, net of refunds	1,654,295	3,314,733
Scholarships, net of refunds	2,425	4,750
Less grants and scholarships from organizational funds	<u>(159,227)</u>	<u>(117,553)</u>
Net grants and scholarships	1,497,493	3,201,930
Administrative fees	685,326	259,276
Other income	121,365	101,494
Transfers from other funds	177,222	490,523
Less other fund expenses from organizational funds	<u>(42,805)</u>	<u>(39,351)</u>
Total expenses	<u>2,438,601</u>	<u>4,013,872</u>
Change in net assets	<u><u>\$ (2,966,817)</u></u>	<u><u>\$ (1,579,470)</u></u>