



COMBINED FINANCIAL  
STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

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

DECEMBER 31, 2001 AND 2000

## **C O N T E N T S**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>COMBINED FINANCIAL STATEMENTS</b>	
Combined statements of assets and fund balances - modified cash basis	2
Combined statements of support, revenue, and expenses - modified cash basis	3
Combined statements of changes in fund balances - modified cash basis	4
Notes to combined financial statements	5

## 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 assets and fund balances - modified cash basis of The Greater Kanawha Valley Foundation and its affiliated supporting organization as of December 31, 2001 and 2000 and the related combined statements of support, revenue, and expenses - modified cash basis and changes in fund balances - modified cash basis for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As described in Note A, The Greater Kanawha Valley Foundation and its affiliated supporting organization prepare their combined financial statements on the modified cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined assets and fund balances of The Greater Kanawha Valley Foundation and its affiliated supporting organization as of December 31, 2001 and 2000 and the combined support, revenue and expenses and changes in fund balances for the years then ended, on the basis of accounting described in Note A.

*Simpson & Osborne*

**March 12, 2002**

## The Greater Kanawha Valley Foundation and Affiliated Supporting Organization

**COMBINED STATEMENTS OF ASSETS AND FUND BALANCES -  
MODIFIED CASH BASIS**

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 101,821	\$ 860,942
Short-term money market funds	<u>5,895,867</u>	<u>5,884,547</u>
	5,997,688	6,745,489
<b>INVESTMENTS, AT FAIR MARKET VALUE</b>		
United States government obligations	2,040,013	2,610,068
Non-government bonds	407,104	463,065
Corporate stocks	5,877,805	5,473,662
Collective funds	79,309,481	85,819,345
Other	<u>38,148</u>	<u>32,853</u>
	87,672,551	94,398,993
<b>NOTES RECEIVABLE</b>	166,195	184,698
<b>REAL ESTATE</b>	<u>2,050</u>	<u>2,050</u>
	<u>\$ 93,838,484</u>	<u>\$101,331,230</u>
 <b>FUND BALANCES</b>		
<b>EXPENDABLE</b>		
Unrestricted	6,879,644	9,003,637
Restricted	<u>9,035,037</u>	<u>10,376,946</u>
	15,914,681	19,380,583
<b>ENDOWMENT</b>	<u>77,923,803</u>	<u>81,950,647</u>
	<u>93,838,484</u>	<u>101,331,230</u>
	<u>\$ 93,838,484</u>	<u>\$101,331,230</u>

*See notes to combined financial statements.*

The Greater Kanawha Valley Foundation and Affiliated Supporting Organization

**COMBINED STATEMENTS OF SUPPORT, REVENUE AND EXPENSES -  
MODIFIED CASH BASIS**

Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>SUPPORT AND REVENUE</b>		
Contributions and gifts	\$ 1,653,566	\$ 1,345,985
Interest and dividends, net of trustee bank fees of \$257,950 in 2001 and \$287,341 in 2000		
Unrestricted	1,028,169	837,240
Restricted	1,294,861	943,291
Rental and other income	<u>15,559</u>	<u>17,125</u>
 Total support and revenue	 3,992,155	 3,143,641
<b>EXPENSES</b>		
Grants to charitable organizations, net of refunds	3,864,111	2,800,052
Scholarship grants, net of refunds	779,570	796,356
Salaries, payroll taxes and employee benefits	453,608	356,129
General and administrative expenses	<u>418,051</u>	<u>481,623</u>
 Total expenses	 <u>5,515,340</u>	 <u>4,434,160</u>
Deficiency of support and revenue over expenses before realized and unrealized losses	(1,523,185)	(1,290,519)
Realized and unrealized losses - expendable	<u>(1,942,717)</u>	<u>(1,920,664)</u>
Deficiency of support and revenue over expenses before nonexpendable additions (reductions)	(3,465,902)	(3,211,183)
<b>NONEXPENDABLE ADDITIONS (REDUCTIONS)</b>		
Contributions received	1,837,948	15,657,341
Realized and unrealized losses - endowment	<u>(5,864,792)</u>	<u>(6,283,225)</u>
 Total nonexpendable (reductions) additions	 <u>(4,026,844)</u>	 <u>9,374,116</u>
(Deficiency) excess of support and revenue over expenses after nonexpendable (reductions) additions	<u>\$ (7,492,746)</u>	<u>\$ 6,162,933</u>

*See notes to combined financial statements.*

## The Greater Kanawha Valley Foundation and Affiliated Supporting Organization

**COMBINED STATEMENTS OF CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS**

Years Ended December 31, 2001 and 2000

	<u>Expendable Unrestricted Funds</u>	<u>Expendable Restricted Funds</u>	<u>Endowment Funds</u>	<u>Total All Funds</u>
Fund balance, December 31, 1999	\$ 10,757,396	\$ 11,834,370	\$ 72,576,531	\$ 95,168,297
Deficiency of support and revenue over expenses before nonexpendable additions	(1,753,759)	(1,457,424)	-	(3,211,183)
Nonexpendable additions	<u>-</u>	<u>-</u>	<u>9,374,116</u>	<u>9,374,116</u>
Fund balance, December 31, 2000	9,003,637	10,376,946	81,950,647	101,331,230
Deficiency of support and revenue over expenses before nonexpendable reductions	(2,123,993)	(1,341,909)	-	(3,465,902)
Nonexpendable reductions	<u>-</u>	<u>-</u>	<u>(4,026,844)</u>	<u>(4,026,844)</u>
Fund balance, December 31, 2001	<u>\$ 6,879,644</u>	<u>\$ 9,035,037</u>	<u>\$ 77,923,803</u>	<u>\$ 93,838,484</u>

*See notes to combined financial statements.*

## The Greater Kanawha Valley Foundation and Affiliated Supporting Organization

**NOTES TO COMBINED FINANCIAL STATEMENTS**

Years Ended December 31, 2001 and 2000

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Greater Kanawha Valley Foundation (the "Foundation") is a charitable community trust organized and operated under the laws of West Virginia.

**Basis of Presentation** - The accounts of the Foundation and its affiliated supporting organization are maintained on the modified cash basis of accounting. Under this basis of accounting, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. In addition, revenue is recognized for contributions of certain noncash assets based on fair market value at the date of gift. The accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

The financial statements include the accounts of the Foundation and its affiliated supporting organization, TGKVF, Inc. TGKVF, Inc. was formed on December 9, 1986, primarily to operate for the benefit of, and to carry out the purposes of, the Foundation (See Note G).

**Fund Accounting** - To ensure observance of designations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which donations for various purposes are classified for accounting and reporting purposes into funds established according to their designations. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups as follows:

- Unrestricted expendable funds, which represent resources (principal and income) available for administrative and general charitable purposes.
- Restricted expendable funds, which represent resources (principal and income) restricted for various specific purposes.
- Endowment funds, which represent funds that are subject to restrictions of donative instruments requiring in perpetuity that the principal be invested and only the income from such investments be expended.

**Nonexpendable Additions (Reductions)** - Nonexpendable additions (reductions) represent contributions and net realized and unrealized gains (losses) from investment and real estate transactions which are permanently restricted as to distribution.

## NOTES TO COMBINED FINANCIAL STATEMENTS *(Continued)*

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Income Tax** - The Foundation is classified as "an other than a private foundation" and is exempt from income taxes under applicable provisions of the Internal Revenue Code.

**Equipment** - The Foundation's policy is to expense equipment purchases in the year the expenditures are made.

**Concentration of Credit Risk** - The Foundation maintains its administrative cash account at a financial institution. The balance, at times, may exceed federally insured limits.

**Investments** - Investments are recorded at their current market value, which is generally based on published market quotes determined substantially by the last reported sales price on the last business day of the year. Investments received as a bequest or gift are recorded at the market value as of the date of receipt. Any change in the valuation of the assets is reported as realized and unrealized gains or losses.

**Investment Income** - Ordinary income from investments and notes receivable is accounted for in the fund which holds the respective assets, except for income derived from investments of endowment funds, which is accounted for in the unrestricted expendable fund or the restricted expendable funds, depending upon the nature of the specific endowment fund.

**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 statements since it is not susceptible to objective measurement or valuation.

**Spending Policy** - Effective December 13, 2000, the Greater Kanawha Valley Foundation's Board of Trustees implemented a revised spending policy with the dual objectives of preserving the real (after inflation) value of its current and subsequently acquired assets and providing the maximum flow of funds for grant making.

The revised spending policy provides that the amount which the Foundation makes available for grants, operating expenses and fees will be calculated by multiplying a Percentage by a Base.

## NOTES TO COMBINED FINANCIAL STATEMENTS *(Continued)*

### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Base for grant distributions (“Base”) will be the twenty-quarter moving average of the market value of the Foundation's total assets. The Foundation recognizes that certain circumstances may call for a different Base to be used. In such instances, the President of the Foundation, after consultation with the Investment Committee, may adjust the period of time used for the Base.

The determination of the Percentage factor for grant distributions will be reviewed periodically in the light of evolving trends with respect to investment returns and the rate of inflation, and adjustment will be made when it is considered appropriate. It was the Foundation's judgment that for 2001 and 2000 an annual percentage factor of 5 percent was appropriate.

The Foundation recognizes that extremely unusual circumstances with respect either to financial markets or the needs of the communities it serves may, in rare instances, require temporary departures from the strict application of these Investment and/or Spending Policies.

### NOTE B - ADMINISTRATIVE FEES

For the years ended December 31, 2001 and 2000, the Foundation assessed each fund an administrative fee of .8742 percent and .8295 percent, 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, 2001 and 2000 were \$923,476 and \$661,376, respectively. For financial statement purposes, the administrative fee income collected 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.

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**NOTE C - INVESTMENTS**

The following summarizes the relationship between cost or donated values and the market values of investments.

Investments and related values at December 31, 2001 are:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
United States government obligations	\$ 2,040,013	\$ 1,900,809	\$ 139,204
Non-government bonds	407,104	399,200	7,904
Corporate stocks	5,877,805	5,410,161	467,644
Collective funds	79,309,481	88,082,706	(8,773,225)
Other	<u>38,148</u>	<u>38,148</u>	<u>-</u>
	<u>\$ 87,672,551</u>	<u>\$ 95,831,024</u>	<u>\$ (8,158,473)</u>

Investments and related values at December 31, 2000 are:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
United States government obligations	\$ 2,610,068	\$ 2,516,135	\$ 93,933
Non-government bonds	463,065	474,200	(11,135)
Corporate stocks	5,473,662	4,470,806	1,002,856
Collective funds	85,819,345	79,575,077	6,244,268
Other	<u>32,853</u>	<u>32,853</u>	<u>-</u>
	<u>\$ 94,398,993</u>	<u>\$ 87,069,071</u>	<u>\$ 7,329,922</u>

**NOTE D - GRANT COMMITMENTS**

As of December 31, 2001, a balance of approximately \$295,481 in grants approved by the Foundation's Board of Trustees had not been disbursed, but is scheduled for disbursement during the year ending December 31, 2002.

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**NOTE D - GRANT COMMITMENTS (Continued)**

The Foundation's Board of Trustees has approved various long-term grants totaling \$4,980,000. These grants are to be paid out annually through the year ending December 31, 2008. As of December 31, 2001, \$3,035,000 had been disbursed. The remaining balance of \$1,945,000 will be disbursed as follows:

Year Ended <u>December 31,</u>	
2002	\$ 670,000
2003	500,000
2004	200,000
2005	200,000
2006	125,000
Thereafter	<u>250,000</u>
	<u>\$ 1,945,000</u>

In 1998, the Foundation's Board of Trustees approved a challenge grant to a third-party. The amount of the grant approved by the Foundation is \$1,000,000 to be paid over a 10-year period once the challenge is met by the third-party. During the year ended December 31, 2000, this challenge was met and the Foundation began disbursing funds to this third party. The remaining amounts to be disbursed are included in the schedule shown above.

**NOTE E - 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 the state. During the years ended December 31, 2001 and 2000, the Foundation approved grants totaling approximately \$716,000 and \$573,000, respectively, to these organizations.

**NOTE F - RETIREMENT PLAN**

The Foundation has a retirement plan that covers all full-time employees having at least one year of service. For 2001 and 2000, contributions to the plan were computed at 8 percent of compensation. During 2001 and 2000, contributions to the plan were \$20,161 and \$8,090, respectively.

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**NOTE G - AFFILIATED SUPPORTING ORGANIZATION**

As discussed in Note A, the Foundation has an affiliated supporting organization. Summarized financial information for this supporting organization for 2001 and 2000 is:

	<u>2001</u>	<u>2000</u>
Cash and short-term funds	\$ 1,508,326	\$ 949,145
Collective funds	5,575,345	4,975,219
Other assets	<u>40,760</u>	<u>50,000</u>
 Total assets	 <u>\$ 7,124,431</u>	 <u>\$ 5,974,364</u>
 Fund balance	 <u>\$ 7,124,431</u>	 <u>\$ 5,974,364</u>
 Interest and dividend income	\$ 167,200	\$ 153,131
Contributions and gifts	1,328,606	1,329,617
Grants, net of refunds	(370,530)	(406,279)
Scholarships, net of refunds	(27,100)	(26,750)
Bank fees	(7,839)	(7,767)
Administrative fees	(50,504)	(43,681)
Realized and unrealized gains (losses)	(329,362)	(526,215)
Other income (expenses)	27,207	(4,995)
Transfers from (to) other funds	<u>412,389</u>	<u>(148,142)</u>
 <b>EXCESS OF REVENUE OVER EXPENSES</b>	 <u>\$ 1,150,067</u>	 <u>\$ 318,919</u>

These amounts are included in the accompanying combined financial statements.

**NOTE H - PROGRAM RELATED INVESTMENT**

On November 23, 1998, TGKVF, Inc. provided a \$50,000 loan to a third-party for the construction and renovation of low to moderate income housing in the city of Charleston. The amount was disbursed to the third party as a note receivable bearing interest at 4.5 percent annually. In 2000, the Foundation received monthly interest payments on the amount outstanding. In 2001, the Foundation began receiving principal payments in addition to the monthly interest payments. The remaining balance at December 31, 2001 was \$40,760.

The Foundation's Board of Trustees believe the program related investment is for a charitable purpose as defined by the Internal Revenue Code, and does not jeopardize their tax-exempt status.

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**NOTE I - OPERATING LEASE**

In March 1998, the Foundation began leasing office space under an operating lease expiring in 2001. This lease has been extended through February 2004. Rent expense for the year ended December 31, 2001, and 2000 was \$94,133 and \$93,253, respectively.

Minimum future rental payments under this operating lease as of December 31, 2001 are:

Year Ended <u>December 31,</u>	
2002	\$ 91,896
2003	93,271
2004	15,583
2005	-
Thereafter	<u>-</u>
	<u>\$ 200,750</u>

**NOTE J - SUBSEQUENT EVENT**

In March 2002, the Foundation received a stock contribution in the amount of approximately \$775,000. This represented 21,000 shares of Applebee's stock that was donated to the Hamilton Fund, which is an unrestricted endowment fund.