



COMBINED FINANCIAL
STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

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

DECEMBER 31, 2000 AND 1999

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of assets, liabilities, and fund balances - modified cash basis of The Greater Kanawha Valley Foundation and its affiliated supporting organization as of December 31, 2000 and 1999 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balances of The Greater Kanawha Valley Foundation and its affiliated supporting organization as of December 31, 2000 and 1999 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 16, 2001

The Greater Kanawha Valley Foundation and Affiliated Supporting Organization

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

December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
ASSETS		
CASH AND CASH EQUIVALENTS		
Cash	\$ 860,942	\$ 271,713
Short-term money market funds	<u>5,884,547</u>	<u>4,901,148</u>
	6,745,489	5,172,861
INVESTMENTS, AT FAIR MARKET VALUE		
United States government obligations	2,610,068	1,172,254
Non-government bonds	463,065	370,310
Corporate stocks	5,473,662	4,067,244
Collective funds	85,819,345	84,187,612
Other	<u>32,853</u>	<u>2,071</u>
	94,398,993	89,799,491
NOTES RECEIVABLE	184,698	193,895
REAL ESTATE	<u>2,050</u>	<u>2,050</u>
	<u>\$101,331,230</u>	<u>\$ 95,168,297</u>
FUND BALANCES		
Expendable		
Unrestricted	9,003,637	10,757,396
Restricted	<u>10,376,946</u>	<u>11,834,370</u>
	19,380,583	22,591,766
Endowment	<u>81,950,647</u>	<u>72,576,531</u>
	<u>101,331,230</u>	<u>95,168,297</u>
	<u>\$101,331,230</u>	<u>\$ 95,168,297</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, 2000 and 1999

	<u>2000</u>	<u>1999</u>
SUPPORT AND REVENUE		
Contributions and gifts	\$ 1,345,985	\$ 518,027
Interest and dividends, net of trustee bank fees of \$287,341 in 2000 and \$241,185 in 1999		
Unrestricted	837,240	759,165
Restricted	943,291	1,046,347
Rental and other income	<u>17,125</u>	<u>11,181</u>
 Total support and revenue	 3,143,641	 2,334,720
EXPENSES		
Grants to charitable organizations, net of refunds	2,800,052	2,670,543
Scholarship grants	796,356	577,930
Salaries, payroll taxes and employee benefits	356,129	293,419
General and administrative expenses	<u>481,623</u>	<u>456,050</u>
 Total expenses	 <u>4,434,160</u>	 <u>3,997,942</u>
Deficiency of support and revenue over expenses before realized and unrealized gains	(1,290,519)	(1,663,222)
Realized and unrealized gains (losses) - expendable	<u>(1,920,664)</u>	<u>4,499,757</u>
(Deficiency) excess of support and revenue over expenses before nonexpendable additions	(3,211,183)	2,836,535
NONEXPENDABLE ADDITIONS		
Contributions received	15,657,341	2,725,672
Realized and unrealized gains (losses) - endowment	<u>(6,283,225)</u>	<u>12,072,522</u>
 Total nonexpendable additions	 <u>9,374,116</u>	 <u>14,798,194</u>
Excess of support and revenue over expenses after nonexpendable additions	<u>\$ 6,162,933</u>	<u>\$ 17,634,729</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, 2000 and 1999

	Expendable Unrestricted Funds	Expendable Restricted Funds	Endowment Funds	Total All Funds
Fund balance, December 31, 1998	\$ 9,140,704	\$ 10,614,528	\$ 57,778,337	\$ 77,533,569
Excess of support and revenue over expenses before nonexpendable additions	1,616,692	1,219,842	-	2,836,534
Nonexpendable additions	<u>-</u>	<u>-</u>	<u>14,798,194</u>	<u>14,798,194</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	<u>\$ 9,003,637</u>	<u>\$ 10,376,946</u>	<u>\$ 81,950,647</u>	<u>\$101,331,230</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, 2000 and 1999

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 - Nonexpendable additions represent contributions and net gains 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.

Escrow Obligations - The Foundation received funds in 1998 for the benefit of a third-party outside of West Virginia. During the year ended December 31, 1999, these funds were transferred directly to the third-party since the Foundation was acting as an intermediary. These funds were reported as a liability at December 31, 1998, and were not included in the Foundation's support and revenue for 1998, or the Foundation's expenses for 1999.

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 2000 and 1999 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, 2000 and 1999, the Foundation assessed each fund an administrative fee of .8295 percent and 1.085 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, 2000 and 1999 were \$661,376 and \$725,160, 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 shown.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE C - INVESTMENTS

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

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>

Investments and related values at December 31, 1999 are:

	<u>Market Value</u>	<u>Cost or Donated Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
United States government obligations	\$ 1,172,254	\$ 1,216,792	\$ (44,538)
Non-government bonds	370,310	399,200	(28,890)
Corporate stocks	4,067,244	3,319,476	747,768
Collective funds	84,187,612	66,746,363	17,441,249
Other	<u>2,071</u>	<u>2,071</u>	<u>-</u>
	<u>\$ 89,799,491</u>	<u>\$ 66,572,560</u>	<u>\$18,115,589</u>

NOTE D - GRANT COMMITMENTS

As of December 31, 2000, a balance of approximately \$469,299 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, 2001.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

NOTE D - GRANT COMMITMENTS (Continued)

The Foundation's Board of Trustees has approved various long-term grants totaling \$4,945,000. These grants are to be paid out annually through the year ending December 31, 2008. As of December 31, 2000, \$2,130,000 had been disbursed. The remaining balance of \$2,815,000 will be disbursed as follows:

Year Ended <u>December 31,</u>	
2001	\$ 910,000
2002	660,000
2003	490,000
2004	190,000
2005	190,000
Thereafter	<u>375,000</u>
	<u>\$ 2,815,000</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, 2000 and 1999, the Foundation approved grants totaling approximately \$573,000 and \$655,000, 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 2000 and 1999, contributions to the plan were computed at 8 percent of compensation. During 2000 and 1999, contributions to the plan were \$8,090 and \$8,480, 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 2000 and 1999 is:

	<u>2000</u>	<u>1999</u>
Cash and short-term funds	\$ 949,145	\$ 712,049
Collective funds	4,975,219	4,891,325
Other assets	<u>50,000</u>	<u>52,071</u>
 Total assets	 <u>\$ 5,974,364</u>	 <u>\$ 5,655,445</u>
 Fund balance	 <u>\$ 5,974,364</u>	 <u>\$ 5,655,445</u>
 Interest and dividend income	 \$ 153,131	 \$ 148,686
Contributions and gifts	1,329,617	615,390
Grants	(406,279)	(347,111)
Scholarships	(26,750)	(32,500)
Bank fees	(7,767)	(6,117)
Administrative fees	(43,681)	(44,868)
Realized and unrealized gains (losses)	(526,215)	454,538
Other expenses	(4,995)	(27,902)
Transfers (to) from other funds	<u>(148,142)</u>	<u>(97,633)</u>
 EXCESS OF REVENUE OVER EXPENSES	 <u>\$ 318,919</u>	 <u>\$ 662,483</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. The Foundation receives monthly interest payments on the amount outstanding. All unpaid principal and interest was due in November 2000. As of March 16, 2001, this amount is still outstanding. Management believes that as additional housing is sold, the Foundation will receive the amounts outstanding.

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, 2000, and 1999 was \$93,253 and \$85,223, respectively.

Minimum future rental payments under this operating lease as of December 31, 2000 are:

<u>Year Ended</u> <u>December 31,</u>	
2001	\$ 90,750
2002	91,896
2003	93,271
2004	15,583
Thereafter	<u>-</u>
	<u>\$ 291,500</u>