BECKLEY AREA FOUNDATION, INC.
BECKLEY, WEST VIRGINIA

FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013

RICHMOND & COMPANY, CPA'S, A.C.
P.O. BOX 1204
BECKLEY, WV 25802-1204

BECKLEY AREA FOUNDATION, INC.

INDEX TO FINANCIAL STATEMENTS

Page

As of and for the Year Ended March 31, 2013

Independent Auditors' Report

Statement of Financial Position 1

Statement of Activities 2

Statement of Cash Flows 3

Notes to Financial Statements 4-10

RICHMOND & COMPANY

Rolfe A. Richmond, CPA
Pio J. DeFlaviis, CPA
Tamara D. Elam, CPA
J. Alan Hart, CPA
Andrew F. Conner, CPA
Richard L. Ross, CPA

CERTIFIED PUBLIC ACCOUNTANTS
ACCOUNTING CORPORATION
POST OFFICE BOX 1204
BECKLEY, WEST VIRGINIA 25802-1204
rco@richmondcompany.com
http://www.RichmondCompany.com

Telephone (304) 252-7353
Fax (304) 253-1732

Independent Auditors' Report

To the Board of Directors of
Beckley Area Foundation, Inc.
Beckley, West Virginia

We have audited the accompanying financial statements of the **Beckley Area Foundation, Inc.** (a non-profit corporation), which comprise the statement of financial position as of March 31, 2013 and the related statements of activities and cash flows for the year 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the **Beckley Area Foundation, Inc.** as of March 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richmond & Company
Certified Public Accountants

July 15, 2013

BECKLEY AREA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
March 31, 2013

ASSETS

Current Assets		
Cash and cash equivalents	$	89,874
Accrued interest receivable		85,191
Total Current Assets		175,065
Property and Equipment		
Real estate		5,813
Building improvements		15,997
Office and computer equipment		33,649
		55,459
Less accumulated depreciation		(31,114)
		24,345
Other Assets		
Investments		31,328,364
Cash surrender value of life insurance		32,508
		31,360,872
TOTAL ASSETS	$	31,560,282

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$	2,865
Grants payable		44,221
Donations - funds pending		6,430
Total Current Liabilities		53,516
Net Assets		
Unrestricted		4,690,447
Temporarily restricted		5,236,533
Permanently restricted		21,579,786
Total Net Assets		31,506,766
TOTAL LIABILITIES AND NET ASSETS	$	31,560,282

The accompanying notes are an integral part of these statements.

BECKLEY AREA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 220,627	$ -	$ 1,389,314	$ 1,609,941
Investment income	440,862	1,921,929	-	2,362,791
Donated facilities revenue	12,000	-	-	12,000
Gain on life insurance proceeds	-	278,548	-	278,548
Increase in cash value of life insurance	-	8,837	-	8,837
Transfer to endowment fund	-	(501,103)	501,103	-
Net assets released from restrictions	584,439	(584,439)	-	-
Total support and revenue	1,257,928	1,123,772	1,890,417	4,272,117
EXPENSES				
Programs Services:				
Grants and scholarships awarded	672,843	-	-	672,843
Payment of life insurance premiums	47,076	-	-	47,076
Total program services	719,919	-	-	719,919
Supporting Services:				
Salaries and related taxes	132,221	-	-	132,221
Fees paid to trustee banks	73,062	-	-	73,062
Donated facilities cost	12,000	-	-	12,000
Depreciation	2,992	-	-	2,992
General & administrative	46,088	-	-	46,088
Total supporting services	266,363	-	-	266,363
Total expenses	986,282	-	-	986,282
Change in Net Assets	271,646	1,123,772	1,890,417	3,285,835
Net Assets, Beginning of Year	4,418,801	4,112,761	19,689,369	28,220,931
Net Assets, End of Year	$ 4,690,447	$ 5,236,533	$ 21,579,786	$ 31,506,766

The accompanying notes are an integral part of these statements.

BECKLEY AREA FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$	3,285,835
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		2,992
Increase in cash value life insurance		(8,837)
Gain on life insurance proceeds		(278,548)
Proceeds from life insurance		501,103
Decrease in accrued income		203
Increase in grants payable		22,347
Decrease in accounts payable		(477)
Increase in donations - funds pending		1,625
Contributions restricted for long-term investment		(1,389,314)
Unrealized and realized net gains on investments		(1,530,702)
Net Cash Provided By Operating Activities		606,227
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net purchases of investments		(2,606,103)
Net Cash Used For Investing Activities		(2,606,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for investment in endowment		1,389,314
Net Cash Provided By Financing Activities		1,389,314
Net Decrease in Cash and Cash Equivalents		(610,562)
Cash and Cash Equivalents Beginning of Year		700,436
Cash and Cash Equivalents End of Year	$	89,874

The accompanying notes are an integral part of these statements.

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Foundation

Beckley Area Foundation, Inc. ("the Foundation") is a not-for-profit community foundation incorporated under the laws of West Virginia.

The Foundation accepts donations to permanent endowment funds, invests and manages such donations, and distributes net earnings of the endowment funds as grants and scholarships, generally on an annual basis. Funds held include named unrestricted funds whose earnings are distributed solely at the discretion of the Foundation's Board of Directors as well as funds whose earnings are distributed subject to the designation or advice of the donors. All distributions are subject to the approval of the Board of Directors.

Note 2 – Significant Accounting Policies

CONTRIBUTIONS: Contributions received are recorded at their fair market value on the date received. Contributions received for which the donor directs to be added to an endowment fund are reported as permanently restricted assets.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Actual results could differ from those estimates as additional information becomes known.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents consist of cash held in a checking account. The checking account is insured to limits set by the Federal Deposit Insurance Corporation.

INVESTMENTS: Investments are stated at their fair market value based on price quotations available in the open market and supplied by four local banking institutions, and all investments are readily marketable and subject to market risks in the amount such investments are recorded. Cash and equivalents consist of cash and money market funds. Dividends and interest earned, unrealized and realized gains or losses, trustee fees and administrative charges are allocated among endowment funds on a pro-rata basis.

PROPERTY AND EQUIPMENT: The Foundation capitalizes property and equipment expenditures over $400. This cost is charged to operations as depreciation on a straight-line basis over estimated useful lives of the assets. All assets currently on hand are being depreciated over five to seven years. Repairs and maintenance are charged to operations as incurred. The real estate is various parcels of property donated to the Foundation.

GRANTS PAYABLE: Grants and scholarships awarded by the Foundation are approved by the Board of Directors and recorded as expenditures at the time of approval.

FUNCTIONAL EXPENSES: Since the Foundation performs no program services and does not conduct a formal fundraising campaign, all operating costs and expenses are considered general and administrative.

GEOGRAPHIC CONCENTRATION: The Foundation receives its donations and awards grants and scholarships primarily in Raleigh County, West Virginia and counties contiguous thereto.

Note 2 – Significant Accounting Policies (Continued)

INVESTMENTS AND SPENDING POLICIES: The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA.

The Foundation considers (1) the preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the interest and dividends earned from the investments, and (5) the investment policies of the Foundation in making a determination to appropriate or accumulate donor-restricted endowment funds.

In order to satisfy its goals of long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved though both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on fixed income securities investments to achieve its long-term return objectives within prudent risk constraints.

The main goal of the Foundation's investment policy is preservation of capital. The second objective is to provide maximum income to be used for grants, scholarships, operating expenses and fees with regard for the safety of principal.

To achieve its long-term investment goals the Foundation invests in obligations of the United States government, obligations of agencies of the United States government, mutual funds, corporate bonds and equity holdings. The investments are held in the trust departments of four local banking institutions which are given guidelines on diversification of assets to avoid undo risk concentration.

Subject to the terms of any fund agreement, the Declaration of Trust and / or West Virginia law, the amount that the Foundation makes available for grants from each fund will be calculated by analyzing interest and dividends earned during the current fiscal year and the comparison of the historical gifts made to the fund and the current market value of the fund at the end of the fiscal year with the intent to preserve the principal. Grants are reviewed and approved by the Board of Directors.

Should the total market value of any fund fall below the initial principal plus additional contributions to the principal, no distributions will be made unless authorized by the fund agreement or the Board of Directors as permitted by law.

DONATED FACILITIES AND SERVICES: A local banking institution provides office space to the Foundation. The estimated fair value of utilizing these facilities is based on information provided by the bank and is reflected as both contributed revenue and facilities expense in the statement of activities.

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

NON-CASH GIFTS: When gifts are received for non-cash assets, the Foundation uses available resources to determine the fair value of the gift and recognizes revenue at that amount.

Note 2 – Significant Accounting Policies (Continued)

CLASSIFICATION OF NET ASSETS: The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted as required by the Financial Accounting Standards Board in its Accounting Standards Codification Topic 958 – *Not-for-Profit Entities* (FASB ASC Topic 958).

Interest and dividends earned from various named unrestricted donor-designated funds, contributions not classified as temporarily or permanently restricted, the four general discretionary board-designated endowment funds and the operating non-endowment fund are classified as unrestricted net assets in the financials.

Temporarily restricted net assets consist of contributions received with donor stipulations that temporarily restrict the use of the donated assets. When the donor restrictions expire due to a time restriction ending or a purpose restriction being fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Net assets released from restrictions for the year were for grants, scholarships, administrative fees, trustee bank fees and neighborhood investment program (NIP) fees. Temporarily restricted net assets consist of the realized and unrealized gains or losses, interest and dividends earned by donor restricted endowment funds and the cash value of life insurance policies that name the Foundation as the beneficiary.

Permanently restricted net assets contain a donor-imposed stipulation that neither expires at a certain period of time nor can be fulfilled or removed by the actions of the Foundation. Trust agreements signed by donors permanently restrict the fair value of the original gifts as of the gift date and the original value of subsequent gifts. Certain trust agreements also permanently restrict a percentage of the interest and dividends earned by the fund to be reinvested into principal and are classified as permanently restricted net assets.

ADMINISTRATIVE FEES: The Foundation's policy is to assess each fund maintained a monthly administrative fee calculated by multiplying the market value of each fund by .05%. These fees are used by the Foundation to pay for administrative costs incurred in maintaining the funds and managing the Foundation. The Foundation is able to wave the monthly administrative fee if management determines the fees are not needed for operations. Administrative fees for the year ended March 31, 2013 were $171,662.

For financial statement purposes, the administrative fee income assessed by the Foundation for the funds is netted against the administrative fee expense recognized by the funds. These amounts net to zero.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES: The Foundation follows FASB ASC Topic 820 - *Fair Value Measurements* which introduces a framework for measuring fair value of certain assets and liabilities. FASB ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value: Level 1 – Quoted prices in active markets for identical assets or liabilities; Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 2 – Significant Accounting Policies (Continued)

INCOME TAXES: The Foundation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended March 31, 2013.

The Foundation is generally no longer subject to examination by the Internal Revenue Service for fiscal years beginning before March 31, 2009.

ENDOWMENT FUNDS: The Foundation's endowment consists of approximately 400 individual donor-restricted funds established for a variety of purposes and four general unrestricted board-designated funds. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 3 – Investments

Investments, stated at fair market value at March 31, 2013 include:

	Cost	Fair Value	Net Unrealized Gain
Cash and equivalents	$ 1,087,511	$ 1,087,511	$ -
United States government obligations	1,137,054	1,173,555	36,501
State and federal agency obligations	2,926,679	2,968,542	41,863
Mutual funds	9,793,295	10,882,158	1,088,863
Corporate bonds, notes and capital goods	5,075,933	5,348,023	272,090
US equities	5,790,139	7,573,898	1,783,759
Non-US equities	1,845,574	2,009,122	163,548
Alternative assets	224,010	285,555	61,545
	$ 27,880,195	$ 31,328,364	$ 3,448,169

Investment income from cash and equivalents and investments is comprised of the following for the year ended March 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 214,216	$ 617,873	$ -	$ 832,089
Net appreciation (realized and unrealized)	226,646	1,304,056	-	1,530,702
Total investment income	$ 440,862	$ 1,921,929	$ -	$ 2,362,791

Note 4 – Valuation of Investments

The following table summarizes the valuation of investments using fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 1,087,511	$ -	$ -	$ 1,087,511
United States government obligations	1,173,555	-	-	1,173,555
State and federal agency obligations	2,968,542	-	-	2,968,542
Mutual funds	10,882,158	-	-	10,882,158
Corporate bonds, notes and capital goods	5,348,023	-	-	5,348,023
US equities	7,573,898	-	-	7,573,898
Non-US equities	2,009,122	-	-	2,009,122
Alternative assets	285,555	-	-	285,555
Total investments	$ 31,328,364	$ -	$ -	$ 31,328,364

Note 5 – Endowment Net Asset Composition by Type of Fund

Description of amounts classified as unrestricted, temporarily restricted and permanently restricted net assets are as follows at March 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Donor advised	$ -	$ 435,305	$ 1,511,609	$ 1,946,914
Designated agency	-	214,315	617,911	832,226
Donor designated	-	1,814,219	7,221,314	9,035,533
Field of interest	-	192,151	986,038	1,178,189
Geographic	-	20,668	137,145	157,813
Scholarships	-	1,872,012	7,361,058	9,233,070
Unrestricted	80,874	482,323	3,227,488	3,790,685
Administrative	-	173,032	517,223	690,255
Total donor-restricted funds	80,874	5,204,025	21,579,786	26,864,685
Board-designated endowment funds	4,534,132	-	-	4,534,132
Total endowment	4,615,006	5,204,025	21,579,786	31,398,817
Non-endowment	75,441	32,508	-	107,949
Total net assets	$ 4,690,447	$ 5,236,533	$ 21,579,786	$ 31,506,766

Note 6 – Permanently Restricted and Temporarily Restricted Net Assets

Description of amounts classified as permanently restricted and temporarily restricted net assets at March 31, 2013.

Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$	21,579,786
Total permanently restricted net assets	$	21,579,786
Temporarily Restricted Net Assets		
Subject to a time restriction under UPMIFA:		
Without purpose restrictions	$	-
With purpose restrictions		5,204,025
Cash value life insurance		32,508
Total temporarily restricted net assets	$	5,236,533
Temporarily restricted net assets released from purpose restrictions:		
Scholarships and grants from endowment funds	$	396,927
Administrative fees		127,954
Trustee bank fees		54,423
NIP fees		5,135
Total net assets released from restrictions	$	584,439

Note 7 – Market Decline in Endowment Fund Assets

The Foundation does not guarantee losses in the market value of investments if the investments' values decline to an amount where the underlying value of the funds is less than amounts donated to the fund. Accordingly, the Foundation may administer funds that have valuation deficiencies, and has adopted a policy suspending grants from funds if such a deficiency exists. At March 31, 2013, deficiencies of $21 existed.

Note 8 – Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of two life insurance policies. Donors of the policies contribute the annual premiums to the Foundation, which in turn remits the premiums to the life insurance companies.

Note 9 – Changes in Endowment Net Assets

Changes in endowment net assets for the year ended March 31, 2013.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,347,999	$ 3,866,535	$ 19,689,369	$ 27,903,903
Investment return:				
Interest and dividends	214,216	617,873	-	832,089
Net appreciation (realized and unrealized)	226,646	1,304,056	-	1,530,702
Total investment return	440,862	1,921,929	-	2,362,791
Contributions	159,369	-	1,389,314	1,548,683
Transfer to endowment fund	-	-	501,103	501,103
Appropriation of endowment assets for expenditure	(333,224)	(584,439)	-	(917,663)
Endowment net assets, end of year	$ 4,615,006	$ 5,204,025	$ 21,579,786	$ 31,398,817

Note 10 – Subsequent Events

The Foundation has evaluated subsequent events and transactions as of July 15, 2013, the date the financials were issued. No subsequent events or transactions had occurred that would have materially impacted the financial statements as presented.