

BECKLEY AREA FOUNDATION, INC.
BECKLEY, WEST VIRGINIA

FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017

RICHMOND & COMPANY, CPA'S, A.C.
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BECKLEY AREA FOUNDATION, INC.

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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, 2018 and the related statements of activities, cash flows and functional expenses 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.

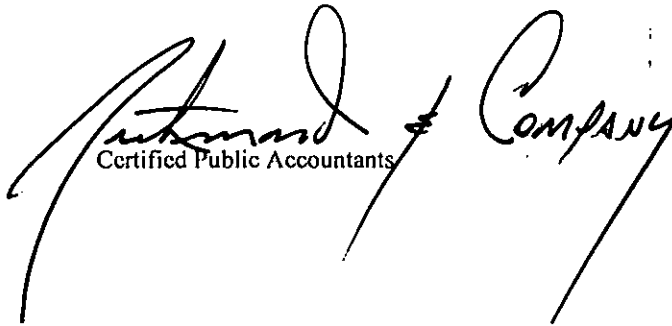
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the **Beckley Area Foundation, Inc.**'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Certified Public Accountants

June 15, 2018

BECKLEY AREA FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2018 and 2017

ASSETS		
	2018	2017
<u>Current Assets</u>		
Cash and cash equivalents	\$ 115,581	\$ 120,989
Accrued interest receivable	87,641	145,827
Prepaid expenses	9,693	22,619
Total Current Assets	212,915	289,435
<u>Property and Equipment</u>		
Real estate	45,813	45,813
Building improvements	6,276	6,276
Office and computer equipment	49,536	46,673
	101,625	98,762
Less accumulated depreciation	(37,253)	(32,173)
Property and Equipment-Net	64,372	66,589
<u>Other Assets</u>		
Investments	41,182,584	38,900,470
Cash surrender value of life insurance	27,004	26,422
Total Other Assets	41,209,588	38,926,892
TOTAL ASSETS	\$ 41,486,875	\$ 39,282,916
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts payable	\$ 6,547	\$ 4,685
Grants payable	50,499	26,186
Donations - funds pending	30,121	30,140
Total Current Liabilities	87,167	61,011
<u>Net Assets</u>		
Unrestricted	6,643,621	6,202,461
Temporarily restricted	8,331,056	7,106,063
Permanently restricted	26,425,031	25,913,381
Total Net Assets	41,399,708	39,221,905
TOTAL LIABILITIES AND NET ASSETS	\$ 41,486,875	\$ 39,282,916

The accompanying notes are an integral part of these statements.

BECKLEY AREA FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended March 31, 2018
With Comparative Totals as of March 31, 2017

	2018			2017	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Summarized</u>
SUPPORT AND REVENUE					
Contributions	\$ 87,588	\$ -	\$ 511,650	\$ 599,238	\$ 938,787
Investment income	820,266	2,403,641	-	3,223,907	3,484,422
Change in cash value of life insurance	-	582	-	582	1,508
Net assets released from restrictions	1,179,230	(1,179,230)	-	-	-
Total support and revenue	<u>2,087,084</u>	<u>1,224,993</u>	<u>511,650</u>	<u>3,823,727</u>	<u>4,424,717</u>
EXPENSES					
Programs Services:					
Grants and scholarships awarded	1,242,702	-	-	1,242,702	1,276,303
Payment of life insurance premiums	480	-	-	480	480
Total program services	<u>1,243,182</u>	<u>-</u>	<u>-</u>	<u>1,243,182</u>	<u>1,276,783</u>
Supporting Services:					
Salaries and related taxes	220,792	-	-	220,792	211,470
Fees paid to trustee banks	102,830	-	-	102,830	94,697
Depreciation	5,080	-	-	5,080	4,248
Office and other	74,040	-	-	74,040	60,930
Total supporting services	<u>402,742</u>	<u>-</u>	<u>-</u>	<u>402,742</u>	<u>371,345</u>
Total expenses	<u>1,645,924</u>	<u>-</u>	<u>-</u>	<u>1,645,924</u>	<u>1,648,128</u>
Change in Net Assets	441,160	1,224,993	511,650	2,177,803	2,776,589
Net Assets, Beginning of Year	<u>6,202,461</u>	<u>7,106,063</u>	<u>25,913,381</u>	<u>39,221,905</u>	<u>36,445,316</u>
Net Assets, End of Year	<u>\$ 6,643,621</u>	<u>\$ 8,331,056</u>	<u>\$ 26,425,031</u>	<u>\$ 41,399,708</u>	<u>\$ 39,221,905</u>

The accompanying notes are an integral part of these statements.

BECKLEY AREA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,177,803	\$ 2,776,589
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	5,080	4,248
Increase in cash value life insurance	(582)	(1,508)
Decrease (Increase) in accrued income	58,186	(61,212)
Decrease (Increase) in prepaid expenses	12,926	(22,619)
Increase in accounts payable	1,862	4,685
Increase (Decrease) in grants payable	24,313	(46,722)
(Decrease) Increase in donations - funds pending	(19)	23,580
Contributions and support restricted for long-term investment	(511,650)	(676,870)
Unrealized and realized net gains on investments	(2,300,363)	(2,487,688)
Net Cash Used For Operating Activities	(532,444)	(487,517)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of office equipment	(2,863)	(6,667)
Net proceeds from sale (purchases) of investments	18,249	(239,476)
Net Cash Provided By (Used For) Investing Activities	15,386	(246,143)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions and support restricted for investment in endowment	511,650	676,870
Net Cash Provided By Financing Activities	511,650	676,870
Net Decrease in Cash and Cash Equivalents	(5,408)	(56,790)
Cash and Cash Equivalents Beginning of Year	120,989	177,779
Cash and Cash Equivalents End of Year	\$ 115,581	\$ 120,989

The accompanying notes are an integral part of these statements.

BECKLEY AREA FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended March 31, 2018 and 2017

	2018			
	Program	Management and General	Fundraising	Total
Grants and scholarships awarded	\$ 1,242,702	\$ -	\$ -	\$ 1,242,702
Payment of life insurance premiums	480	-	-	480
Salaries and related taxes	-	218,584	2,208	220,792
Fees paid to trustee banks	-	102,830	-	102,830
Depreciation	-	5,080	-	5,080
Office and other	-	73,892	148	74,040
	\$ 1,243,182	\$ 400,386	\$ 2,356	\$ 1,645,924

	2017			
	Program	Management and General	Fundraising	Total
Grants and scholarships awarded	\$ 1,276,303	\$ -	\$ -	\$ 1,276,303
Payment of life insurance premiums	480	-	-	480
Salaries and related taxes	-	209,355	2,115	211,470
Fees paid to trustee banks	-	94,697	-	94,697
Depreciation	-	4,248	-	4,248
Office and other	-	60,786	144	60,930
	\$ 1,276,783	\$ 369,086	\$ 2,259	\$ 1,648,128

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 checking accounts. The checking accounts are insured to limits set by the Federal Deposit Insurance Corporation. At various times during the fiscal year, the Foundation’s cash in bank balances exceeded the federally insured limits.

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.

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

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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) investment returns, 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 long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The goals of the Foundation's investment policy are to provide maximum income commensurate with safety of principal and achieve stable capital growth.

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 undue 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 is calculated by computing 3.5% of the twelve quarter rolling average of the market value of the fund as of December 31st of each year. 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 SERVICES: 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.

LEASES: The Foundation leases office space that is renewable for one year at the end of the lease term. Rent expense under this lease was \$6,960 and \$7,720 for the years ended March 31, 2018 and 2017 respectively.

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.

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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, dividends, unrealized and realized gains or losses 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 a life insurance policy that names 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 waive the monthly administrative fee if management determines the fees are not needed for operations. Administrative fees for the years ended March 31, 2018 and 2017 were \$263,989 and \$244,003 respectively.

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.

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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 years ended March 31, 2018 and 2017.

The Foundation is generally no longer subject to examination by the Internal Revenue Service for fiscal years beginning before March 31, 2014.

ENDOWMENT FUNDS: The Foundation’s endowment consists of approximately 470 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, 2018 and 2017 include:

	2018		
	Cost	Fair Value	Net Unrealized Gain (Loss)
Cash and equivalents	\$ 686,513	\$ 686,513	\$ -
United States government obligations	1,711,111	1,683,550	(27,561)
State and federal agency obligations	2,283,704	2,267,875	(15,829)
Mutual funds	10,408,690	11,460,830	1,052,140
Corporate bonds, notes and capital goods	6,003,421	5,961,496	(41,925)
US equities	10,385,085	14,909,120	4,524,035
Non-US equities	3,404,223	4,045,994	641,771
Alternative assets	97,938	167,206	69,268
	\$ 34,980,685	\$ 41,182,584	\$ 6,201,899
	2017		
	Cost	Fair Value	Net Unrealized Gain (Loss)
Cash and equivalents	\$ 953,217	\$ 953,217	\$ -
United States government obligations	2,097,999	2,082,127	(15,872)
State and federal agency obligations	1,991,656	2,001,940	10,284
Mutual funds	10,483,279	11,499,990	1,016,711
Corporate bonds, notes and capital goods	5,884,409	5,951,450	67,041
US equities	8,736,981	12,510,200	3,773,219
Non-US equities	3,337,592	3,733,974	396,382
Alternative assets	87,398	167,572	80,174
	\$ 33,572,531	\$ 38,900,470	\$ 5,327,939

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 – Investments (Continued)

Investment income from cash and equivalents and investments is comprised of the following for the years ended March 31, 2018 and 2017:

2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 228,167	\$ 695,377	\$ -	\$ 923,544
Net gains (realized and unrealized)	592,099	1,708,264	-	2,300,363
Total investment income	\$ 820,266	\$ 2,403,641	\$ -	\$ 3,223,907

2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 256,550	\$ 740,184	\$ -	\$ 996,734
Net gains (realized and unrealized)	629,169	1,858,519	-	2,487,688
Total investment income	\$ 885,719	\$ 2,598,703	\$ -	\$ 3,484,422

Note 4 – Valuation of Investments

The following summarizes the valuation of investments using fair value hierarchy levels at March 31, 2018 and 2017.

2018				
	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 686,513	\$ -	\$ -	\$ 686,513
United States government obligations	1,683,550	-	-	1,683,550
State and federal agency obligations	2,267,875	-	-	2,267,875
Mutual funds	11,460,830	-	-	11,460,830
Corporate bonds, notes and capital goods	5,961,496	-	-	5,961,496
US equities	14,909,120	-	-	14,909,120
Non-US equities	4,045,994	-	-	4,045,994
Alternative assets	167,206	-	-	167,206
Total investments	\$ 41,182,584	\$ -	\$ -	\$ 41,182,584

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 – Valuation of Investments (Continued)

	2017			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 953,217	\$ -	\$ -	\$ 953,217
United States government obligations	2,082,127	-	-	2,082,127
State and federal agency obligations	2,001,940	-	-	2,001,940
Mutual funds	11,499,990	-	-	11,499,990
Corporate bonds, notes and capital goods	5,951,450	-	-	5,951,450
US equities	12,510,200	-	-	12,510,200
Non-US equities	3,733,974	-	-	3,733,974
Alternative assets	167,572	-	-	167,572
Total investments	\$ 38,900,470	\$ -	\$ -	\$ 38,900,470

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, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Donor advised	\$ -	\$ 784,634	\$ 1,711,019	\$ 2,495,653
Designated agency	-	192,693	606,305	798,998
Donor designated	-	2,987,763	8,165,612	11,153,375
Field of interest	-	347,006	1,037,648	1,384,654
Geographic	-	51,452	202,802	254,254
Scholarships	-	3,635,472	10,132,935	13,768,407
Unrestricted	1,354,679	-	4,016,505	5,371,184
Administrative	-	305,032	552,205	857,237
Total donor-restricted funds	1,354,679	8,304,052	26,425,031	36,083,762
Board-designated endowment funds	5,171,982	-	-	5,171,982
Total endowment	6,526,661	8,304,052	26,425,031	41,255,744
Non-endowment	116,960	27,004	-	143,964
Total net assets	\$ 6,643,621	\$ 8,331,056	\$ 26,425,031	\$ 41,399,708

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 – Endowment Net Asset Composition by Type of Fund (Continued)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Donor advised	\$ -	\$ 702,658	\$ 1,700,278	\$ 2,402,936
Designated agency	-	167,376	603,452	770,828
Donor designated	-	2,549,052	8,095,770	10,644,822
Field of interest	-	340,332	1,032,307	1,372,639
Geographic	-	45,220	182,644	227,864
Scholarships	-	3,029,463	9,918,275	12,947,738
Unrestricted	1,016,469	-	3,838,872	4,855,341
Administrative	-	245,540	541,783	787,323
Total donor-restricted funds	1,016,469	7,079,641	25,913,381	34,009,491
Board-designated endowment funds	5,036,051	-	-	5,036,051
Total endowment	6,052,520	7,079,641	25,913,381	39,045,542
Non-endowment	149,941	26,422	-	176,363
Total net assets	\$ 6,202,461	\$ 7,106,063	\$ 25,913,381	\$ 39,221,905

Note 6 – Permanently Restricted and Temporarily Restricted Net Assets

Description of amounts classified as permanently restricted and temporarily restricted net assets at March 31, 2018 and 2017.

	2018	2017
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	\$ 26,425,031	\$ 25,913,381
Total permanently restricted net assets	\$ 26,425,031	\$ 25,913,381
Temporarily Restricted Net Assets		
Subject to a time restriction under UPMIFA:		
Without purpose restrictions	\$ -	\$ -
With purpose restrictions	8,304,052	7,079,641
Cash value life insurance	27,004	26,422
Total temporarily restricted net assets	\$ 8,331,056	\$ 7,106,063
Temporarily restricted net assets released from purpose restrictions:		
Scholarships and grants from endowment funds	\$ 904,068	\$ 810,702
Administrative fees	196,940	182,265
Trustee bank fees	76,677	70,612
NIP fees	1,545	522
Total net assets released from restrictions	\$ 1,179,230	\$ 1,064,101

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7 – Changes in Endowment Net Assets

Changes in endowment net assets for the year ended March 31, 2018.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,052,520	\$ 7,079,641	\$ 25,913,381	\$ 39,045,542
Investment return:				
Interest and dividends	228,167	695,377	-	923,544
Net appreciation (realized and unrealized)	592,099	1,708,264	-	2,300,363
Total investment return	820,266	2,403,641	-	3,223,907
Contributions	86,492	-	511,650	598,142
Appropriation of endowment assets for expenditure	(432,617)	(1,179,230)	-	(1,611,847)
Endowment net assets, end of year	<u>\$ 6,526,661</u>	<u>\$ 8,304,052</u>	<u>\$ 26,425,031</u>	<u>\$ 41,255,744</u>

Changes in endowment net assets for the year ended March 31, 2017.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,483,560	\$ 5,545,039	\$ 25,236,511	\$ 36,265,110
Investment return:				
Interest and dividends	256,550	740,184	-	996,734
Net appreciation (realized and unrealized)	629,169	1,858,519	-	2,487,688
Total investment return	885,719	2,598,703	-	3,484,422
Contributions	234,210	-	676,870	911,080
Appropriation of endowment assets for expenditure	(550,969)	(1,064,101)	-	(1,615,070)
Endowment net assets, end of year	<u>\$ 6,052,520</u>	<u>\$ 7,079,641</u>	<u>\$ 25,913,381</u>	<u>\$ 39,045,542</u>

Note 8 – 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, 2018 and 2017, deficiencies of \$916 and \$-0- existed respectively.

Note 9 – Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of a life insurance policy. The donor of the policy contributes the annual premiums to the Foundation, which in turn remits the premium to the life insurance company.

BECKLEY AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10 – Prior Year Summarized Comparative Information

The statements of activities include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2017 of the prior year, from which the summarized information was derived.

Note 11 – Subsequent Events

The Foundation has evaluated subsequent events and transactions as of June 15, 2018, the date the financials were issued. No subsequent events or transactions had occurred that would have materially impacted the financial statements as presented.