

Greenville Area Community Foundation

Annual Financial Statements

and

Auditors' Report

December 31, 2012

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Independent Auditors' Report

Management and Board of Trustees
Greenville Area Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Greenville Area Community Foundation which comprise the statement of financial position as of December 31, 2012, 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 of 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 Greenville Area Community Foundation as of December 31, 2012, and the results of its operations 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 Greenville Area Community Foundation's December 31, 2011, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yeo & Yeo, P.C.

Alma, MI
March 8, 2013

Greenville Area Community Foundation
Statement of Financial Position
December 31, 2012 with Comparative Totals for 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 765,178	\$ 1,816,603
Pledges receivable, current portion	27,340	45,500
Note receivable, current portion	251,825	246,851
	1,044,343	2,108,954
Investments	18,544,467	16,141,605
Beneficial interest in remainder unitrust	782,206	710,324
Pledges receivable, net of current portion	39,440	54,520
Note receivable, net of current portion	1,621,166	1,872,991
Life insurance - cash surrender value	76,390	-
Property and equipment, net of accumulated depreciation	138,120	134,890
	18,544,467	16,141,605
Total current assets	1,044,343	2,108,954
	19,588,834	18,250,500
Total assets	\$ 22,246,132	\$ 21,023,284

See Accompanying Notes to Financial Statements

Greenville Area Community Foundation
Statement of Financial Position
December 31, 2012 with Comparative Totals for 2011

	2012	2011
Liabilities and net assets		
Current liabilities		
Payroll tax withholdings	\$ 3,001	\$ 2,893
Grants payable, current portion	767,614	602,629
Total current liabilities	770,615	605,522
Grants payable, net of current portion	120,000	174,001
Assets held for others	468,251	223,065
Total liabilities	1,358,866	1,002,588
Net assets		
Unrestricted	19,961,890	19,210,352
Temporarily restricted	925,376	810,344
Total net assets	20,887,266	20,020,696
Total liabilities and net assets	\$ 22,246,132	\$ 21,023,284

See Accompanying Notes to Financial Statements

Greenville Area Community Foundation
Statement of Activities
Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
Revenues, gains and other support				
Contributions and grants	\$ 314,847	\$ 76,390	\$ 391,237	\$ 7,001,868
Less amounts received as agency endowments	(204,477)	-	(204,477)	(62,295)
Administrative fees	197,320	-	197,320	140,648
Change in value of charitable remainder trust	-	71,882	71,882	(48,518)
Other income	6,250	-	6,250	6,942
Interest and dividends	451,108	-	451,108	398,123
Net realized and unrealized gain (loss) on investments	1,676,060	-	1,676,060	(679,168)
Total revenues, gains, and other support	<u>2,441,108</u>	<u>148,272</u>	<u>2,589,380</u>	<u>6,757,600</u>
Net assets released from restrictions				
Restrictions satisfied by payments and time	<u>33,240</u>	<u>(33,240)</u>	<u>-</u>	<u>-</u>
Expenses				
Program services				
Program grants and other expenses	1,353,562	-	1,353,562	1,488,474
Less grants made under agency endowments	(10,634)	-	(10,634)	(9,817)
Support services				
Administrative fees	197,320	-	197,320	140,648
Management and general	182,562	-	182,562	147,600
Total expenses	<u>1,722,810</u>	<u>-</u>	<u>1,722,810</u>	<u>1,766,905</u>
Change in net assets	751,538	115,032	866,570	4,990,695
Net assets at the beginning of the year	<u>19,210,352</u>	<u>810,344</u>	<u>20,020,696</u>	<u>15,030,001</u>
Net assets at the end of the year	<u>\$ 19,961,890</u>	<u>\$ 925,376</u>	<u>\$ 20,887,266</u>	<u>\$ 20,020,696</u>

See Accompanying Notes to Financial Statements

Greenville Area Community Foundation
Statement of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 866,570	\$ 4,990,695
Adjustments		
Depreciation	3,205	2,863
Unrealized (gain) loss on investments	(1,526,928)	679,168
Change in fair value of charitable remainder trusts	(71,882)	48,518
Donated life insurance policy	(76,390)	-
Donated note receivable	-	(2,180,789)
Assets held for others reclassified	200,602	-
(Increase) decrease in operating assets		
Pledges receivable	33,240	96,038
Increase (decrease) in operating liabilities		
Payroll tax withholdings	108	193
Grants payable	110,984	360,818
Assets held for others	44,584	46,819
	<u>(415,907)</u>	<u>4,044,323</u>
Cash flows from investing activities		
Purchase of fixed assets	(6,435)	-
Collections on note receivable	246,851	60,947
Proceeds from sale of investments	11,040,862	6,553,880
Purchases of investments	(11,916,796)	(10,258,913)
	<u>(635,518)</u>	<u>(3,644,086)</u>
Net change in cash and cash equivalents	(1,051,425)	400,237
Cash and cash equivalents at the beginning of the year	1,816,603	1,416,366
Cash and cash equivalents at the end of the year	\$ 765,178	\$ 1,816,603

See Accompanying Notes to Financial Statements

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Note 1 - Nature of Activities and Significant Accounting Policies

The Greenville Area Community Foundation, a Michigan not-for-profit corporation, supports charitable, philanthropic, educational, literary, artistic or scientific undertakings in the Greenville, Michigan area. The Foundation is supported primarily through donor contributions and grants.

Fund Accounting

The financial statements are prepared on the accrual basis of accounting. The Foundation has determined that the use of fund accounting to segregate assets, liabilities, net assets, income and expenses although not required by accounting principles generally accepted in the United States of America, is a meaningful practice to continue. The financial activities of the Foundation are recorded in separate funds, described as follows:

Operating Fund

This fund includes resources that represent the portion of expendable funds available for support of Foundation operations and funds expended for equipment.

Pass Through Funds

Pass Through Funds are used to account for assets held by the Foundation that are not endowed, but will be expended in their entirety on a specific project or for a specific cause.

Endowment Funds

This fund consists of funds that have been established by a gift instrument describing either the general or specific purpose for which grants from the individual funds are to be made. The individual funds have been classified and reported as follows:

Discretionary - funds over which the Board has discretionary control and are available for grant making and other purposes.

Agency Endowments - funds restricted by donors to support specific charitable organizations.

Field-of-Interest - funds established to benefit specific but broadly defined, charitable purpose.

Donor Advised - funds established whereby the donor suggests specific organizations to benefit from the fund. Such donor recommendations are not binding and the Foundation reserves the right to make the final decisions on distributions from such a fund.

Designated - funds established to support a specific community project.

Scholarship - funds established to provide scholarships to individuals.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Due to *variance power* granted by the Internal Revenue Service, the Foundation has no permanently restricted net assets and has presented its temporarily restricted and unrestricted net assets according to the requirements of the statement. In addition, the Foundation is required to present a statement of cash flows.

Contributions Received and Contributions Made

Contributions received are recorded as unrestricted or temporarily restricted, depending upon the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. A transfer of assets to the Foundation shall be accounted for as a liability if one or more of the following conditions is present:

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

- The transfer is subject to the resource provider's unilateral right to redirect the use of the assets to another beneficiary.
- The transfer is accompanied by the resource provider's conditional promise to give or is otherwise revocable or repayable.
- The resource provider controls the recipient organization and specifies an unaffiliated beneficiary.
- The resource provider specifies itself or its affiliate as the beneficiary and the transfer is not an equity transaction.

It is the Board of Trustees' (the "Board") interpretation of accounting principles generally accepted in the United States of America, that all gifts and grants received by the Foundation constitute unrestricted assets. The bylaws of the Foundation, under variance power, give the Board the authority to modify any restriction or condition on distribution of resources for any charitable purposes or to specific organizations, if in its sole judgment such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

Cash and Cash Equivalents

The Foundation invests temporary cash in various banks in the State of Michigan. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

The carrying amount of the Foundation's deposits with financial institutions was \$765,178. The actual bank balances amounted to \$833,134. Of these balances, \$354,903 was insured by the Federal Deposit Insurance Corporation and \$478,231 was neither insured nor collateralized.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position as determined by quoted market prices. Unrealized gains and losses are included in the change in net assets.

Beneficial Interest in Remainder Unitrust

The Foundation is a beneficiary of a charitable remainder unitrust with a request that the funds be used for the betterment of Greenville and the surrounding community. The beneficial interest is measured and reported at the present value of estimated future cash flows expected to be realized by the Foundation. Changes in value each year are reported in the statement of activities.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

Acquired assets are stated at cost and donated assets at fair market value. The Foundation has a \$1,000 capitalization policy. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

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Long-Lived Assets

The Foundation evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Grants Payable

Grants payable are recognized at fair value and discounted using the applicable federal rate. Grants are recognized as liabilities at the time the Board or committees authorize the expenditures, regardless of the year in which the grant is paid. Grants authorized are subject to the spending policy limitations.

Assets Held for Others

Donor designations for specific organizations made by the beneficiary organizations are recognized as a liability to the specified organization.

Allocated Expenses

Operating Fund expenses by function have been allocated between operating and administrative services.

Endowed Funds Management Policy

The Board of the Foundation has developed a spending policy that is based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which allows for total spending, for grants and operations, to be determined over a number of rolling quarters, regardless of the fact that distributions based on this calculation may dip into the historic gift amount or corpus.

Spending Policy - Income available for spending is determined by a total return, basically using a 12-quarter rolling average system. The amount available to spend for administration and grants is based on 6% of the funds average market value.

Investment Policy - The primary objective of the liquid financial investments for the Foundation will be to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period, as well as, board designated funds. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately nine percent annually. Actual returns in any given year may vary from this amount.

The Foundation relies on a total return strategy in which investments returns are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments.

Comparative Financial Statements

The financial information for the year ended December 31, 2011, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Income Tax Status

The Internal Revenue Service has ruled that the Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present federal income tax laws, and also is not a private foundation under the meaning of Section 509(a)(1) of the code. For the year ended December 31, 2012, there were no penalties recorded or included in the financial statements. The Foundation files information returns in the U.S. Federal jurisdiction. Generally, the statute of limitations on federal returns expires after three years.

Fair Value Disclosures

The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. The estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amount the Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. For all financial instruments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. All investment securities are carried at fair value in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 2 - Investments

Fair value of investments at December 31, 2012 and December 31, 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Mutual funds - equities	\$ 16,364,106	\$ 13,826,221
Mutual funds - fixed income	2,180,361	2,315,384
Total	<u>\$ 18,544,467</u>	<u>\$ 16,141,605</u>

Investment income is comprised of the following at December 31:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 451,108	\$ 398,123
Investment fees	(71,979)	(41,224)
Net gain (loss) on investments	1,676,060	(679,168)
Net investment income (loss)	<u>\$ 2,055,189</u>	<u>\$ (322,269)</u>
Donor designated		
Interest	\$ 9,473	\$ 5,950
Net gain (loss) on investments	41,870	(11,609)
Net investment income (loss)	<u>\$ 51,343</u>	<u>\$ (5,659)</u>

The net gain on investments are comprised of \$191,002 of net realized gains and \$1,526,928 net unrealized gains for the year ended December 31, 2012, and \$264,886 of net realized losses and \$414,282 net unrealized losses for the year ended December 31, 2011.

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Note 3 - Pledges Receivable

All recognized pledges receivable as of December 31, 2012 are unconditional. No allowance was deemed necessary for pledges receivable as they were deemed fully collectible by management. Pledges receivable are scheduled to be collected as follows:

Year Ended December 31,		
2013	\$	27,340
2014		24,080
2015		9,320
2016		5,373
2017		333
Thereafter		334
	<u>\$</u>	<u>66,780</u>

Note 4 – Note Receivable

The Foundation was assigned a note receivable collectable from a local business by a donor. The face amount of the note at the time of assignment was \$2,180,790. The note matures December 15, 2019 and bears a 2% interest rate. All of the assets of the local business serve as collateral. The note is considered fully collectable. Principal and interest are expected to be collected as follows:

Year Ending December 31,	Principal	Interest	Total
2013	\$ 251,825	\$ 35,579	\$ 287,404
2014	256,899	30,505	287,404
2015	262,077	25,327	287,404
2016	267,357	20,047	287,404
2017	272,744	14,660	287,404
Thereafter	562,089	12,719	574,808
	<u>\$ 1,872,991</u>	<u>\$ 138,837</u>	<u>\$ 2,011,828</u>

Note 5 – Life Insurance – Cash Surrender Value

The Foundation is listed as the beneficiary of a donor's life insurance policy. The cash surrender value of the policy is recorded in the statement of financial position. The initial recording and subsequent increases in value are recorded as contributions. The death benefit of the policy is \$266,277. The cash surrender value of the policy at December 31, 2012 was \$76,390.

Note 6 - Property and Equipment

Property and equipment is comprised of the following at December 31:

	<u>2012</u>	<u>2011</u>
Land	\$ 60,000	\$ 60,000
Land improvements	1,195	-
Building	80,240	75,000
Furniture and equipment	15,804	15,804
Less: accumulated depreciation	(19,119)	(15,914)
	<u>\$ 138,120</u>	<u>\$ 134,890</u>

Depreciation expense for the years ended December 31, 2012 and 2011 were \$3,205 and \$2,863 respectively.

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Note 7 - Grants Payable

The following summarizes the changes in grants payable during 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Grants payable at beginning of year	\$ 776,630	\$ 415,812
Additions: unconditional grants recognized, net of adjustments to reflect fair value of multi-year grants of \$ 0 for each year	1,312,213	1,446,191
Deductions: payments made	<u>(1,201,229)</u>	<u>(1,085,373)</u>
Grants payable at year end	<u>\$ 887,614</u>	<u>\$ 776,630</u>

The Foundation has grants payable at December 31, 2012 scheduled to be disbursed as follows:

2013	\$ 767,614
2014	60,000
2015	60,000
	<u>\$ 887,614</u>

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Note 8 - Assets Held for Others

The Foundation has entered into exchange transactions with other not-for-profit organizations and as a result, assets held for others are included in the agency endowment funds. The fund agreements between the Foundation and the organizations allow for distributions per the spending policy of the Foundation. The resources received under these agreements are not considered contributions to the Foundation and, therefore, have been classified as a liability. As of December 31, the assets held for others are as follows:

	<u>2012</u>	<u>2011</u>
Assets held for others	<u>\$ 468,251</u>	<u>\$ 223,065</u>

Note 9 - Operating Fund

Operating fund unrestricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Investment in land, property and equipment	<u>\$ 138,120</u>	<u>\$ 134,890</u>
Other	<u>50,797</u>	<u>32,606</u>
	<u>\$ 188,917</u>	<u>\$ 167,496</u>

Note 10 - Change in Endowment Net Assets

Changes in endowment net assets for 2012 are as follows:

	<u>Discretionary Endowment Funds</u>	<u>Agency Endowment Funds</u>	<u>Field of Interest Endowment Funds</u>	<u>Donor Advised Endowment Funds</u>	<u>Designated Endowment Funds</u>	<u>Scholarship Endowment Funds</u>	<u>Total</u>
December 31, 2011	\$ 4,745,071	\$ 423,667	\$ 7,746,074	\$ 657,359	\$ 2,596,023	\$ 3,849,013	\$ 20,017,207
Contributions	33,848	3,875	2,474	12,740	359,988	50,194	463,119
Amounts appropriated for expenditures	(292,502)	(10,634)	(586,479)	(40,412)	(402,726)	(198,312)	(1,531,065)
Investment income	123,639	9,473	175,663	14,977	32,453	102,746	458,951
Appreciation of investments	382,214	41,870	802,650	66,682	134,458	284,222	1,712,096
Other changes	(4,700)	-	600	4,700	(20,000)	(600)	(20,000)
December 31, 2012	<u>\$ 4,987,570</u>	<u>\$ 468,251</u>	<u>\$ 8,140,982</u>	<u>\$ 716,046</u>	<u>\$ 2,700,196</u>	<u>\$ 4,087,263</u>	<u>\$ 21,100,308</u>

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Note 11 - Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Time restrictions accomplished for pledges \$ 33,240

Note 12 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2012	2011
Pledges receivable	\$ 66,780	\$ 100,020
Life insurance - cash surrender value	76,390	-
Receivable from trusts	782,206	710,324
	<u><u>\$ 925,376</u></u>	<u><u>\$ 810,344</u></u>

Note 13 – Net Asset Reconciliation

The following is a reconciliation of fund categories to total net assets at December 31:

	2012	2011
Endowment funds (see note 10)	\$ 21,100,308	\$ 20,017,207
Operating fund (see note 9)	188,917	167,496
Pass through fund	66,292	59,058
	<u>21,355,517</u>	<u>20,243,761</u>
Less: assets held for others (see note 8)	<u>(468,251)</u>	<u>(223,065)</u>
Total net assets	<u><u>\$ 20,887,266</u></u>	<u><u>\$ 20,020,696</u></u>

	2012	2011
Unrestricted net assets	\$ 19,961,890	\$ 19,210,352
Temporarily restricted net assets (see note 12)	925,376	810,344
Total net assets	<u><u>\$ 20,887,266</u></u>	<u><u>\$ 20,020,696</u></u>

Note 14 – Retirement Benefit Plan

The Foundation has a Simple IRA Employee Pension Plan. The plan allows a pretax employee contribution up to \$6,000 per year. The Foundation contributes 3% of eligible employee wages to the plan. The contributions for December 31, 2012 and 2011 were \$3,600 and \$2,954 respectively.

Note 15 - Fair Value Measurements

The following tables represent information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2012, and the valuation techniques used at the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosure concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31:

Fair Value Measurements using:

	Balance at December 31, 2012	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Assets			
Mutual funds - equities	\$ 16,364,106	\$ 16,364,106	\$ -
Mutual funds - fixed income	2,180,361	2,180,361	-
Split interest agreements	782,206	-	782,206
	<u>\$ 19,326,673</u>	<u>\$ 18,544,467</u>	<u>\$ 782,206</u>
Liabilities			
Assets held for others	<u>\$ 468,251</u>	<u>\$ -</u>	<u>\$ 468,251</u>

Changes in level 3 assets and liabilities at fair value on a recurring basis:

	Split Interest Agreement Assets	Assets Held for Others
December 31, 2011	\$ 710,324	\$ 223,065
Total unrealized gains included in change in net assets	71,882	41,870
Net additions, purchases, sales, and maturities	-	3,875
Other changes	-	(1,161)
Net transfers in/out of Level 3	-	200,602
December 31, 2012	<u>\$ 782,206</u>	<u>\$ 468,251</u>

Split interest agreement assets categorized as Level 3 assets consist of a beneficial interest in a charitable remainder trust. The Foundation estimates the fair value of these split interest agreement assets based upon the fair value of the assets in the trust unless the facts and circumstances indicated that the fair value would be different from the present value of estimated future distributions.

Assets held for others characterized as a Level 3 liability consists of agency endowment funds established by not-for-profit organizations with their own funds, for which the Foundation reports a liability for the market value. The Foundation estimates the fair value of these assets held for others at the present value of the future payments expected to be made to the not-for-profit organization.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in the fair value that were attributable to both observable and unobservable inputs.

Greenville Area Community Foundation
Notes to Financial Statements
December 31, 2012

Note 16 - Contingency

During 2011 the Foundation received contributions from an estate. During 2012, the estate filed suit against a family member of the deceased for payment of estate taxes. The family member also filed suit against the estate for reasons that have not been disclosed. There is a possibility that part of the contribution made to the Foundation will have to be given back to the estate. This could include the note receivable whose value at year end was \$1,872,991, and cash contributions totaling \$1,249,146. The case is currently being examined in probate court and appeals are likely to take place.

Greenville Area Community Foundation
Operating Fund
Schedule of Changes in Net Assets
Years Ended December 31, 2012 and 2011

	2012	2011
Revenues		
Contributions and grants	\$ -	\$ 3,000
Administrative fees	197,320	140,648
Other income	6,250	6,942
Interest and dividends	413	1,368
Total revenues	203,983	151,958
Expenses		
Salaries	124,624	101,456
Employee benefits	3,600	2,954
Payroll taxes	10,780	7,428
Professional fees	7,673	6,270
FIMS fees	4,006	3,609
Supplies	5,254	1,285
Telephone	446	452
Postage	3,331	2,367
Insurance	2,987	2,853
Repairs and maintenance	885	374
Utilities	5,443	5,524
Publications and dues	3,413	3,211
Meetings, luncheons, dinners	678	383
Annual dinner expense	3,906	4,609
Miscellaneous	2,331	1,962
Total expenses before depreciation	179,357	144,737

Greenville Area Community Foundation
Operating Fund
Schedule of Changes in Net Assets
Years Ended December 31, 2012 and 2011

	2012	2011
Depreciation	\$ 3,205	\$ 2,863
Total expenses	182,562	147,600
Change in net assets	21,421	4,358
Net assets at the beginning of the year	167,496	163,138
Net asset at the end of the year	\$ 188,917	\$ 167,496

Greenville Area Community Foundation
Pass Through and Endowment Funds
Schedule of Changes in Net Assets
Year Ended December 31, 2012

	January 1, 2012	Transfers In (Out)	Contributions and Grants	Investment Income	Net Gains on Securities	Expenses		December 31, 2012
						Program Grants	Other Expenses	
Pass Through Fund	\$ 59,058	\$ 20,000	\$ -	\$ 1,217	\$ 5,834	\$ 18,989	\$ 828	\$ 66,292
Endowment Fund								
Discretionary Funds	\$ 4,745,071	\$ (4,700)	\$ 33,848	\$ 123,639	\$ 382,214	\$ 223,117	\$ 69,385	\$ 4,987,570
Agency Endowment Funds	423,667	-	3,875	9,473	41,870	4,672	5,962	468,251
Field of Interest Funds	7,746,074	600	2,474	175,663	802,650	471,403	115,076	8,140,982
Donor Advised Funds	657,359	4,700	12,740	14,977	66,682	30,628	9,784	716,046
Designated Funds	2,596,023	(20,000)	359,988	32,453	134,458	375,228	27,498	2,700,196
Scholarship Funds	3,849,013	(600)	50,194	102,746	284,222	142,875	55,437	4,087,263
	20,017,207	(20,000)	463,119	458,951	1,712,096	1,247,923	283,142	21,100,308
Less donor designations for specific organizations	223,065	200,602	3,875	9,473	41,870	4,672	5,962	468,251
	<u>\$ 19,794,142</u>	<u>\$ 180,602</u>	<u>\$ 459,244</u>	<u>\$ 449,478</u>	<u>\$ 1,670,226</u>	<u>\$ 1,243,251</u>	<u>\$ 277,180</u>	<u>\$ 20,632,057</u>