

**ROCHESTER AREA COMMUNITY FOUNDATION
AND AFFILIATES**

**Consolidated Financial Statements
as of March 31, 2011
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

August 3, 2011

To the Board of Directors of
Rochester Area Community Foundation:

We have audited the accompanying consolidated balance sheet of Rochester Area Community Foundation and affiliates (New York not-for-profit corporations) as of March 31, 2011, and the related consolidated statements of activities and change in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of Rochester Area Community Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Rochester Area Community Foundation and affiliates' 2010 consolidated financial statements and in our report dated July 15, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rochester Area Community Foundation and affiliates as of March 31, 2011, and the change in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

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ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2011

(With Comparative Totals for 2010)

	2011			2010 Total
	Unrestricted	Temporarily Restricted	Total	
ASSETS:				
Cash and short-term investments	\$ 3,785,690	\$ -	\$ 3,785,690	\$ 8,633,884
Accrued interest receivable	42,577	-	42,577	48,937
Charitable Checking Account SM	5,836,815	-	5,836,815	4,903,169
Investments	214,808,351	-	214,808,351	185,578,296
Land, building and equipment, net	784,487	-	784,487	796,989
Split-interest agreements	-	8,673,646	8,673,646	8,202,703
Other assets	679,230	-	679,230	334,169
	<u>\$ 225,937,150</u>	<u>\$ 8,673,646</u>	<u>\$ 234,610,796</u>	<u>\$ 208,498,147</u>
LIABILITIES:				
Grants payable	\$ 43,540	\$ -	\$ 43,540	\$ 80,200
Charitable Checking Account SM	5,836,815	-	5,836,815	4,903,169
Agency funds	10,631,467	-	10,631,467	9,349,193
Split-interest agreements	-	1,112,234	1,112,234	1,121,552
Other liabilities	242,938	-	242,938	221,049
	<u>16,754,760</u>	<u>1,112,234</u>	<u>17,866,994</u>	<u>15,675,163</u>
NET ASSETS:				
Unrestricted -				
Charitable endowment funds	167,445,761	-	167,445,761	151,039,081
Charitable Investor Funds SM	29,256,988	-	29,256,988	25,136,823
Grantmaking	10,447,935	-	10,447,935	7,555,041
Operations/administration	2,031,706	-	2,031,706	2,010,888
	<u>209,182,390</u>	<u>-</u>	<u>209,182,390</u>	<u>185,741,833</u>
Temporarily restricted	<u>-</u>	<u>7,561,412</u>	<u>7,561,412</u>	<u>7,081,151</u>
	<u>209,182,390</u>	<u>7,561,412</u>	<u>216,743,802</u>	<u>192,822,984</u>
	<u>\$ 225,937,150</u>	<u>\$ 8,673,646</u>	<u>\$ 234,610,796</u>	<u>\$ 208,498,147</u>

The accompanying notes are an integral part of these statements.

ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2011**

(With Comparative Totals for 2010)

	2011			2010 <u>Total</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Gifts, grants and donations	\$ 20,492,827	\$ 91,787	\$ 20,584,614	\$ 9,754,179
Change in Investment in Community Foundations Investment Partnership, net	361,143	-	361,143	87,558
Less gifts, grants and donations related to:				
Agency funds	(845,376)	-	(845,376)	(1,055,502)
Charitable Checking Account SM	(3,123,320)	-	(3,123,320)	(2,230,139)
Interfund activity	(695,483)	-	(695,483)	(578,677)
<u>Total public support</u>	<u>16,189,791</u>	<u>91,787</u>	<u>16,281,578</u>	<u>5,977,419</u>
Revenue -				
Interest and dividend income	3,679,329	-	3,679,329	4,019,954
Net gain on investments	19,911,531	-	19,911,531	46,719,538
Change in value of split-interest agreements	-	1,005,723	1,005,723	611,820
Other income	159,268	-	159,268	156,762
Net assets released from restriction	617,249	(617,249)	-	-
<u>Total revenue</u>	<u>24,367,377</u>	<u>388,474</u>	<u>24,755,851</u>	<u>51,508,074</u>
<u>Total public support and revenue</u>	<u>40,557,168</u>	<u>480,261</u>	<u>41,037,429</u>	<u>57,485,493</u>
EXPENSES:				
Program services -				
Grants	17,243,740	-	17,243,740	17,084,058
Less grants originated from:				
Agency funds	(394,025)	-	(394,025)	(337,578)
Charitable Checking Account SM	(2,178,108)	-	(2,178,108)	(2,123,767)
Interfund activity	(695,483)	-	(695,483)	(578,677)
<u>13,976,124</u>	<u>-</u>	<u>13,976,124</u>	<u>14,044,036</u>	
Program support	1,162,117	-	1,162,117	744,385
<u>Total program services</u>	<u>15,138,241</u>	<u>-</u>	<u>15,138,241</u>	<u>14,788,421</u>
Management and general	1,251,732	-	1,251,732	1,089,808
Fundraising	726,638	-	726,638	636,338
<u>Total expenses</u>	<u>17,116,611</u>	<u>-</u>	<u>17,116,611</u>	<u>16,514,567</u>
CHANGE IN NET ASSETS	23,440,557	480,261	23,920,818	40,970,926
NET ASSETS - beginning of year	<u>185,741,833</u>	<u>7,081,151</u>	<u>192,822,984</u>	<u>151,852,058</u>
NET ASSETS - end of year	<u>\$ 209,182,390</u>	<u>\$ 7,561,412</u>	<u>\$ 216,743,802</u>	<u>\$ 192,822,984</u>

The accompanying notes are an integral part of these statements.

ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2011
 (With Comparative Totals for 2010)

	2011			2010
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 23,440,557	\$ 480,261	\$ 23,920,818	\$ 40,970,926
Adjustments to reconcile change in net assets to net cash flow from operating activities:				
Depreciation	47,507	-	47,507	41,885
Net gain on investments	(19,911,531)	-	(19,911,531)	(46,719,538)
Change in value of split-interest agreements	-	(1,005,723)	(1,005,723)	(611,820)
Non-cash contributions	(1,553,255)	-	(1,553,255)	(405,339)
Changes in:				
Accrued interest receivable	6,360	-	6,360	20,579
Other assets	(356,961)	-	(356,961)	(98,691)
Grants payable	(36,660)	-	(36,660)	(309,911)
Agency funds	1,282,274	-	1,282,274	2,935,581
Other liabilities	21,889	-	21,889	(3,726)
Net cash flow from operating activities	<u>2,940,180</u>	<u>(525,462)</u>	<u>2,414,718</u>	<u>(4,180,054)</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Proceeds from sales of investments	314,254,174	-	314,254,174	145,228,233
Purchases of investments	(322,019,443)	-	(322,019,443)	(145,080,066)
Purchases of land, building and equipment	(35,005)	-	(35,005)	-
Change in mortgages and notes receivable	11,900	-	11,900	66,900
Distributions from (contributions to) split-interest agreements, net	-	525,462	525,462	118,261
Net cash flow from investing activities	<u>(7,788,374)</u>	<u>525,462</u>	<u>(7,262,912)</u>	<u>333,328</u>
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(4,848,194)	-	(4,848,194)	(3,846,726)
CASH AND SHORT-TERM INVESTMENTS - beginning of year	<u>8,633,884</u>	-	<u>8,633,884</u>	<u>12,480,610</u>
CASH AND SHORT-TERM INVESTMENTS - end of year	<u>\$ 3,785,690</u>	<u>\$ -</u>	<u>\$ 3,785,690</u>	<u>\$ 8,633,884</u>

The accompanying notes are an integral part of these statements.

ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

1. THE ORGANIZATION

Rochester Area Community Foundation is a not-for-profit organization building a community-based endowment that matches the philanthropic interests of donors with unmet community needs.

Rochester Area Community Foundation effectively controls all operational aspects of the affiliate organizations described below. The financial activity of the affiliates has been consolidated in the accompanying financial statements. All significant interaffiliate transactions and balances have been eliminated. Rochester Area Community Foundation and affiliates are collectively referred to as the "Community Foundation" in these consolidated notes.

- Joan and Harold Feinbloom Supporting Foundation, Inc. was established under Section 509(a)(3) of the Internal Revenue Code (IRC) to operate solely for supporting the activities of the Community Foundation.
- Rochester Area Community Foundation Depository, Inc. (Charitable Checking AccountSM) was established under Section 509(a)(1) of the IRC to provide donors the ability to direct monies to specific tax-exempt entities.
- Rochester Area Foundation was established under Section 509(a)(3) of the IRC to operate solely for supporting the activities of the Community Foundation, including taking title to real property that otherwise would have been acquired by the Community Foundation.
- Rochester Area Community Foundation Initiatives, Inc. (RACF Initiatives) was established under Section 509(a)(3) of the IRC to operate exclusively for the purpose of benefiting and supporting the Community Foundation. RACF Initiatives sponsors programs and projects that address identified needs of the community.
- Rochester Area Community Foundation, LLC (RACF LLC) was established for the purpose of providing a means for interested donors to participate in certain national charitable giving programs. RACF LLC's sole member is Rochester Area Community Foundation.

Rochester Area Community Foundation, Joan and Harold Feinbloom Supporting Foundation, Inc., Rochester Area Community Foundation Depository, Inc., Rochester Area Foundation, and RACF Initiatives are exempt from income taxes as organizations qualified under Section 501(c)(3) of the IRC. RACF LLC is a limited liability company under the New York Limited Liability Company Law and is considered a disregarded entity under the IRC. Accordingly, RACF LLC is categorized as a tax-exempt organization based on the tax status of its sole member.

None of the above affiliates have been classified as private foundations under the Internal Revenue Code.

The Helen L. Morris Foundation, Inc. also operates in connection with the Community Foundation as a supporting organization under Section 509(a)(3) of the IRC. As a type (iii) supporting organization, the Helen L. Morris Foundation, Inc. carries out the work of Rochester Area Community Foundation but is not controlled by it. Therefore, the financial activity of this organization is not included in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Under generally accepted accounting principles, not-for-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Under the Community Foundation's governing documents and applicable laws, the Community Foundation has the right and power to vary the use of certain gifts from their original donor-prescribed purpose. Based on this variance power, the Community Foundation classifies all net assets as unrestricted, other than those on which time restrictions have been placed by the donor. Accordingly, the Community Foundation reports its assets in the following classes:

- **Unrestricted Net Assets**

Unrestricted net assets are those over which the Board of Directors of the Community Foundation retains control to use in achieving its institutional mission.

- **Temporarily Restricted Net Assets**

Temporarily restricted net assets are those on which a time restriction has been placed by a donor, e.g., a split-interest planned gift. When a donor restriction expires, that is, when a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted. During 2011, \$617,249 was released from restriction related to distributions from split interest agreements

Endowment Funds

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contribution should be classified as unrestricted. However, under New York State law and the Community Foundation's governing instruments, its assets are held as endowment funds until such time, if ever, as the governing body deems it prudent and appropriate under its variance power to redirect some part of the principal or appreciation. Accordingly, the consolidated financial statements classify most net assets as unrestricted but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

In September 2010, the New York State Prudent Management of Institutional Funds Act (NYPMIFA) was signed into law. This new law established and clarified requirements for the management of endowment funds in New York State. The Community Foundation believes that the provisions of NYPMIFA have no effect on its administration of or accounting for its endowment funds due to the Community Foundation's variance power over these donated resources.

The Community Foundation maintains a spending policy in connection with endowment earnings. Under this policy, 5.0% of a rolling 20-quarter average of the fair value of endowment investments is designated as available to meet current grantmaking requirements, plus an additional amount to cover fund administrative fees. However, the Community Foundation has adopted policies that limit amounts available for these purposes so as not to invade the historic value of its gifts on a component fund basis, even for gifts where the donor has allowed such invasion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Generally accepted accounting principles establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Community Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value of the Community Foundation's partnership interests is determined based on the underlying investments within each partnership and the Community Foundation's percentage ownership in each partnership.

Cash and Short-Term Investments

Cash and short-term investments include bank accounts and money market funds which, at times, may exceed federally insured limits. The Community Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and short-term investments.

Investments

Investments consist primarily of marketable equity and debt securities that are stated at fair value as described in Note 6. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could occur in the near term and that such changes could materially affect the net assets of the Community Foundation.

Split-Interest Agreements

The Community Foundation is a beneficiary of various trust and other split-interest agreements. The Community Foundation's beneficial interest is measured at the discounted value of its expected future cash flows and is reported as temporarily restricted net assets. Liabilities are recorded equal to the estimated present value of payments that the Community Foundation is required to make to specified beneficiaries under the terms of these arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Life Insurance Policies - Cash Surrender Value

Various donors have contributed to the Community Foundation the ownership of certain life insurance policies. The cash surrender value of those policies has been included with split-interest agreements as an asset of the Community Foundation. Annual premiums on the policies, paid by the donors to the Community Foundation, are recorded as donations.

Land, Building and Equipment

Land, building and equipment are stated at cost if purchased, or the fair value at the date of donation. The Community Foundation capitalizes assets with an initial cost greater than or equal to \$5,000 and a useful life greater than three years. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets which range from three (3) to forty (40) years.

Contributions

Contributions are recognized at their fair value in the period received.

Gifts-In-Kind

Gifts of real property and donations other than cash are recognized at their fair value in the period received.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Community Foundation. The value of this contributed time is not reflected in these consolidated financial statements as it does not meet the criteria for recognition.

Grants

Grants are recorded as an expense of the Community Foundation when approved by the Board of Directors and after satisfaction by the recipients of any conditions associated with the payment.

Wills, Trusts and Estates

The Community Foundation is the beneficiary under various wills and trust agreements, the total realizable value of which is not presently determinable; therefore, these amounts are not recorded until they are received.

Income Taxes

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. At March 31, 2011 and 2010, the Community Foundation did not have a liability for unrecognized tax benefits. The Community Foundation files income tax returns in the U.S. federal jurisdiction and New York State. The Community Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

The consolidated financial statements include certain prior-year summarized 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 Community Foundation's consolidated financial statements for the year ended March 31, 2010, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the current year presentation.

3. CHARITABLE CHECKING ACCOUNTSM

The Community Foundation acts as an agent for certain contributions made by donors to its Charitable Checking AccountSM, whereby the Community Foundation receives the monies and disburses those monies to specific tax-exempt entities. The Community Foundation's review of these disbursements is limited to confirmation of the charitable nature of the distribution. Therefore, the activity related to these assets is not included in the Community Foundation's change in net assets.

Charitable Checking AccountSM assets consisted of the following at March 31:

	<u>2011</u>	<u>2010</u>
Cash	\$ 1,481,389	\$ 1,383,804
Investments	<u>4,355,426</u>	<u>3,519,365</u>
	<u>\$ 5,836,815</u>	<u>\$ 4,903,169</u>

Charitable Checking AccountSM activity consisted of the following for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Contributions	\$ 3,123,320	\$ 2,230,139
Liquidation of donated assets	(11,461)	(11,403)
Distributions	<u>(2,178,213)</u>	<u>(2,123,767)</u>
Net change in Charitable Checking Account SM	933,646	94,969
Charitable Checking Account SM - beginning of year	<u>4,903,169</u>	<u>4,808,200</u>
Charitable Checking Account SM - end of year	<u>\$ 5,836,815</u>	<u>\$ 4,903,169</u>

Investments held in the Charitable Checking AccountSM include certificates of deposit and money market accounts that had maturities of less than three years at March 31, 2011 and 2010. These investments had a cost basis of \$4,334,144 and \$3,519,365 at March 31, 2011 and 2010, respectively. Earnings from these assets benefit the Community Foundation.

4. AGENCY FUNDS

The Community Foundation accepts funds from, and holds funds for the benefit of, other not-for-profit organizations. These funds are not considered assets of the Community Foundation and therefore are shown as "Agency funds" in the accompanying consolidated balance sheet.

Total agency funds activity consisted of the following for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Contributions	\$ 845,376	\$ 1,052,952
Investment activity and other	830,923	2,220,207
Grants	<u>(394,025)</u>	<u>(337,578)</u>
Net change in agency funds	1,282,274	(2,935,581)
Agency funds - beginning of year	<u>9,349,193</u>	<u>6,413,612</u>
Agency funds - end of year	<u>\$ 10,631,467</u>	<u>\$ 9,349,193</u>

5. INVESTMENTS

Investments consisted of the following at March 31:

	<u>2011</u>		<u>2010</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and equivalents	\$ 6,843,306	\$ 6,843,306	\$ 6,338,615	\$ 6,338,615
Certificates of deposit	7,770,129	7,770,129	2,030,547	2,030,547
Common stocks	44,096,645	34,343,273	50,117,310	43,317,821
Partnership interests	44,067,198	35,242,718	28,768,003	23,203,393
Fixed income mutual funds	50,288,568	49,303,539	52,049,974	50,008,305
Equity mutual funds	<u>61,742,505</u>	<u>53,663,084</u>	<u>46,273,847</u>	<u>42,108,065</u>
	<u>\$214,808,351</u>	<u>\$187,166,049</u>	<u>\$185,578,296</u>	<u>\$167,006,746</u>

Investment management fees were approximately \$668,000 and \$581,000 for the years ended March 31, 2011 and 2010, respectively. These fees have been included in "net gain (loss) on investments" in the accompanying consolidated statement of activities and change in net assets.

Partnership Interests

Partnership interests consist of the Community Foundation's investments in limited liability companies (LLCs) for the purpose of long term growth. These LLCs invest mainly in globally diversified portfolios of equity securities. The Community Foundation has no obligation to make additional investments in these LLCs.

Certain of these LLCs restrict the Community Foundation's ability to liquidate its investment in the LLCs. Most LLCs allow redemptions monthly (or more often) with 5 to 10 business day advance request. One LLC, in which the Community Foundation has an investment with a fair value at March 31, 2011 of approximately \$3.6 million, allows redemptions only once annually with 60 days advance request.

5. INVESTMENTS (Continued)

Partnership Interests (Continued)

In certain circumstances, the agreements between the LLCs and the Community Foundation allow the LLCs to suspend redemptions based solely on the LLC's evaluation of its own liquidity needs, difficulties the LLC might be experiencing valuing some of its holdings, or other similar reasons. The timing and extent of redemption restrictions under these terms is determined unilaterally at the discretion of the LLC and its general partner.

These agreements also allow the LLCs to unilaterally redeem the Community Foundation's interest in the LLC with as little as five days advance notice under certain circumstances.

6. FAIR VALUE INFORMATION

The Community Foundation reports the following items at fair value on a recurring basis utilizing the following valuation input levels as of March 31:

<u>2011</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments:				
Common stocks	\$ 44,096,645	\$ -	\$ -	\$ 44,096,645
Partnership interests	-	44,067,198	-	44,067,198
Fixed income mutual funds	50,288,568	-	-	50,288,568
Equity mutual funds	<u>61,742,505</u>	<u>-</u>	<u>-</u>	<u>61,742,505</u>
Total investments	<u>\$ 156,127,718</u>	<u>\$ 44,067,198</u>	<u>\$ -</u>	<u>\$ 200,194,916</u>
<u>2010</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments:				
Common stocks	\$ 50,117,310	\$ -	\$ -	\$ 50,117,310
Partnership interests	-	28,768,003	-	28,768,003
Fixed income mutual funds	52,049,974	-	-	52,049,974
Equity mutual funds	<u>46,273,847</u>	<u>-</u>	<u>-</u>	<u>46,273,847</u>
Total investments	<u>\$ 148,441,131</u>	<u>\$ 28,768,003</u>	<u>\$ -</u>	<u>\$ 177,209,134</u>

Partnership interests are reported at fair value utilizing Level 2 inputs. The Community Foundation evaluates the fair value of its Partnership interests based on the fair value of the securities held by each partnership. The Community Foundation estimates fair value of these investments based on information received from the investment custodian, including inputs used by the custodian's pricing service (benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications). The appraisals that result from these inputs do not necessarily reflect net results obtainable in the event of actual liquidation.

7. ENDOWMENT FUNDS

The Community Foundation's charitable endowment net assets are all classified as unrestricted in the accompanying consolidated balance sheet. These net assets experienced the following changes for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Endowment net assets - beginning of year	\$ <u>151,039,081</u>	\$ <u>109,504,035</u>
Investment return:		
Investment income	2,916,998	3,115,477
Net gain (loss)	<u>16,251,070</u>	<u>44,370,276</u>
Total investment return	<u>19,168,068</u>	<u>47,485,753</u>
Contributions	<u>6,536,437</u>	<u>1,302,308</u>
Expenses	<u>(2,009,310)</u>	<u>(1,744,868)</u>
Transfers	<u>130,031</u>	<u>551,386</u>
Grants:		
Spending policy distributions	(7,187,546)	(5,859,533)
Feinbloom Foundation	<u>(231,000)</u>	<u>(200,000)</u>
Total grants from endowment	<u>(7,418,546)</u>	<u>(6,059,533)</u>
Endowment net assets - end of year	<u>\$ 167,445,761</u>	<u>\$ 151,039,081</u>

Interpretation of Relevant Law

In accordance with its accounting policies as set forth in Note 2, the Community Foundation's charitable endowment funds are classified as unrestricted in the accompanying consolidated balance sheet. However, the Community Foundation's Board of Directors has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income.

Return Objectives and Risk Parameters

The Community Foundation's Board of Directors has adopted investment policies for endowment assets that seek to grow the endowment assets over time, preserve the purchasing power of its assets against inflation, and provide a predictable stream of funding to programs supported by its endowment. In accordance with the concept of the Prudent Investor, the Community Foundation's investment policy applies a flexible, balanced and diversified approach to yield an appropriate return while controlling the risk that is inherent in any investment program.

Strategies Employed for Achieving Objectives

The Community Foundation's charitable endowment funds are managed with a long-term horizon under the guidance of its Board of Directors, Investment Committee and external consultant, Colonial Consulting, LLC. Endowment assets are invested in the equity and fixed pools of the Community Foundation and rebalanced regularly to an allocation of 70% equities and 30% fixed income.

7. ENDOWMENT FUNDS (Continued)

Strategies Employed for Achieving Objectives (Continued)

Using managers selected and closely monitored by the Community Foundation, the equity pool invests in domestic and international companies broadly diversified by size, sector, industry and other characteristics. The fixed-income portfolio incorporates both active and passive investments, principally in government and investment-grade corporate bonds and notes.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Community Foundation's spending policy uses a total return approach to maximize its benefit from long-term market growth while leveling out short-term volatility in its portfolio. Under total return, interest, dividends and capital appreciation are defined as income eligible for grantmaking. The Community Foundation's current spending policy for grantmaking is set at 5% of the rolling 20-quarter average market value of each charitable endowment fund. Income above this spending policy is returned to the endowment fund for inflation protection and long-term preservation of purchasing power.

In periods of poor market performance, newer funds may not have enough accumulated capital appreciation to make full spending-policy distributions without invading the original amount of the gift. In these circumstances, the Foundation's policy allows for only interest and dividends to be made available for distributions, even in cases where donors have allowed for the invasion of principal in accordance with NYPMIFA. Under the terms of the Foundation's policy, market conditions did not allow for 2% and 14% of the Community Foundation's charitable endowment funds to make full spending-policy distributions as of March 31, 2011 and 2010, respectively.

8. SPLIT-INTEREST AGREEMENTS

Split-interest agreements consisted of the following at March 31:

	2011		2010	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Charitable remainder trusts	\$ 5,192,123	\$ -	\$ 4,329,880	\$ -
Pooled life income fund	2,179,285	685,181	2,384,447	700,888
Donated life insurance policies				
cash surrender value	434,987	-	407,744	-
Charitable gift annuities	867,251	427,053	540,632	271,529
Life estate	-	-	540,000	149,135
	<u>\$ 8,673,646</u>	<u>\$ 1,112,234</u>	<u>\$ 8,202,703</u>	<u>\$ 1,121,552</u>

The fair value of split interest agreements approximates its carrying value at March 31, 2011 and 2010.

9. LAND, BUILDING AND EQUIPMENT

Land, building and equipment consisted of the following at March 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 160,000	\$ 160,000
Building and improvements	1,032,553	1,026,406
Equipment	<u>461,078</u>	<u>432,220</u>
	1,653,631	1,618,626
Less: Accumulated depreciation	<u>(869,144)</u>	<u>(821,637)</u>
	<u>\$ 784,487</u>	<u>\$ 796,989</u>

10. GRANTS PAYABLE

Grants payable consisted of unconditional promises to give to other organizations, which had not been paid as of March 31, 2011. These amounts are payable as follows in the years ending March 31:

2011	\$ 21,000
2012	<u>22,540</u>
	<u>\$ 43,540</u>

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at March 31:

	<u>2011</u>	<u>2010</u>
Charitable remainder trusts	\$ 5,192,123	\$ 4,329,880
Pooled life income fund	1,494,104	1,683,559
Donated life insurance policies - cash surrender value	434,987	407,744
Charitable gift annuities	440,198	269,103
Life estate	<u>-</u>	<u>390,865</u>
	<u>\$ 7,561,412</u>	<u>\$ 7,081,151</u>

These net assets are all subject to time restrictions. Upon lapse of these restrictions, the net assets will be reclassified as unrestricted.

At March 31, 2011 and 2010, the face value of the donated permanent life insurance policies was approximately \$4,301,000.

12. RETIREMENT PLAN

The Community Foundation sponsors a 401(k) retirement plan covering all employees meeting eligibility requirements. Accrued pension costs are funded currently and are calculated as a percentage of eligible participants' payroll. Pension expense for the year ended March 31, 2011 and 2010 was approximately \$43,000 and \$39,000, respectively.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 3, 2011, which is the date the financial statements were available to be issued.