

**ROCHESTER AREA COMMUNITY FOUNDATION
AND AFFILIATES**

**Consolidated Financial Statements
as of March 31, 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

July 15, 2010

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, 2010, 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' 2009 consolidated financial statements and in our report dated July 15, 2009, 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, 2010, 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, 2010

(With Comparative Totals for 2009)

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
ASSETS:				
Cash and short-term investments	\$ 8,633,884	\$ -	\$ 8,633,884	\$ 12,480,610
Accrued interest receivable	48,937	-	48,937	69,516
Charitable Checking Account SM	4,903,169	-	4,903,169	4,808,200
Mortgages and notes receivable	11,900	-	11,900	78,800
Investments	185,578,296	-	185,578,296	138,601,584
Land, building and equipment, net	796,989	-	796,989	838,874
Split-interest agreements	-	8,202,703	8,202,703	7,741,752
Other assets	322,269	-	322,269	223,578
	<u>\$ 200,295,444</u>	<u>\$ 8,202,703</u>	<u>\$ 208,498,147</u>	<u>\$ 164,842,914</u>
LIABILITIES:				
Grants payable	\$ 80,200	\$ -	\$ 80,200	\$ 390,111
Charitable Checking Account SM	4,903,169	-	4,903,169	4,808,200
Agency funds	9,349,193	-	9,349,193	6,413,612
Split-interest agreements	-	1,121,552	1,121,552	1,154,158
Other liabilities	221,049	-	221,049	224,775
	<u>14,553,611</u>	<u>1,121,552</u>	<u>15,675,163</u>	<u>12,990,856</u>
NET ASSETS:				
Unrestricted -				
Charitable endowment funds	151,039,081	-	151,039,081	109,504,035
Charitable Investor Funds SM	25,136,823	-	25,136,823	20,273,954
Grantmaking	7,555,041	-	7,555,041	13,690,977
Operations/administration	2,010,888	-	2,010,888	1,795,500
	<u>185,741,833</u>	<u>-</u>	<u>185,741,833</u>	<u>145,264,466</u>
Temporarily restricted	-	7,081,151	7,081,151	6,587,592
	<u>185,741,833</u>	<u>7,081,151</u>	<u>192,822,984</u>	<u>151,852,058</u>
	<u>\$ 200,295,444</u>	<u>\$ 8,202,703</u>	<u>\$ 208,498,147</u>	<u>\$ 164,842,914</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, 2010**

(With Comparative Totals for 2009)

	2010			2009 <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Gifts, grants and donations	\$ 9,739,535	\$ 14,644	\$ 9,754,179	\$ 10,643,872
Change in Investment in Community Foundations Investment Partnership, net	87,558	-	87,558	(57,159)
Less gifts, grants and donations related to:				
Agency funds	(1,055,502)	-	(1,055,502)	(1,381,482)
Charitable Checking Account SM	(2,230,139)	-	(2,230,139)	(2,063,832)
Interfund activity	<u>(578,677)</u>	<u>-</u>	<u>(578,677)</u>	<u>(515,430)</u>
Total public support	<u>5,962,775</u>	<u>14,644</u>	<u>5,977,419</u>	<u>6,625,969</u>
Revenue -				
Interest and dividend income	4,019,954	-	4,019,954	5,026,054
Net gain (loss) on investments	46,719,538	-	46,719,538	(49,186,932)
Change in value of split-interest agreements	-	611,820	611,820	(630,360)
Other income	156,762	-	156,762	137,266
Net assets released from restriction	<u>132,905</u>	<u>(132,905)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>51,029,159</u>	<u>478,915</u>	<u>51,508,074</u>	<u>(44,653,972)</u>
Total public support and revenue	<u>56,991,934</u>	<u>493,559</u>	<u>57,485,493</u>	<u>(38,028,003)</u>
EXPENSES:				
Program services -				
Grants	17,084,058	-	17,084,058	22,012,526
Less grants originated from:				
Agency funds	(337,578)	-	(337,578)	(775,045)
Charitable Checking Account SM	(2,123,767)	-	(2,123,767)	(2,198,209)
Interfund activity	<u>(578,677)</u>	<u>-</u>	<u>(578,677)</u>	<u>(515,430)</u>
Total program services	<u>14,044,036</u>	<u>-</u>	<u>14,044,036</u>	<u>18,523,842</u>
Program support	<u>744,385</u>	<u>-</u>	<u>744,385</u>	<u>733,167</u>
Total program services	<u>14,788,421</u>	<u>-</u>	<u>14,788,421</u>	<u>19,257,009</u>
Management and general	1,089,808	-	1,089,808	1,246,754
Fundraising	<u>636,338</u>	<u>-</u>	<u>636,338</u>	<u>696,609</u>
Total expenses	<u>16,514,567</u>	<u>-</u>	<u>16,514,567</u>	<u>21,200,372</u>
CHANGE IN NET ASSETS	40,477,367	493,559	40,970,926	(59,228,375)
NET ASSETS - beginning of year	<u>145,264,466</u>	<u>6,587,592</u>	<u>151,852,058</u>	<u>211,080,433</u>
NET ASSETS - end of year	<u>\$185,741,833</u>	<u>\$ 7,081,151</u>	<u>\$192,822,984</u>	<u>\$151,852,058</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, 2010
(With Comparative Totals for 2009)**

	2010			2009 Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
CASH FLOW FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 40,477,367	\$ 493,559	\$ 40,970,926	\$ (59,228,375)
Adjustments to reconcile change in net assets to net cash flow from operating activities:				
Depreciation	41,885	-	41,885	43,629
Net (gain) loss on investments	(46,719,538)	-	(46,719,538)	49,186,932
Change in value of split-interest agreements	-	(611,820)	(611,820)	630,360
Non-cash contributions	(405,339)	-	(405,339)	(1,758,783)
Changes in:				
Accrued interest receivable	20,579	-	20,579	48,313
Other assets	(98,691)	-	(98,691)	55,524
Grants payable	(309,911)	-	(309,911)	(741,320)
Agency funds	2,935,581	-	2,935,581	(1,322,075)
Other liabilities	(3,726)	-	(3,726)	(39,473)
Net cash flow from operating activities	<u>(4,061,793)</u>	<u>(118,261)</u>	<u>(4,180,054)</u>	<u>(13,125,268)</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Proceeds from sales of investments	145,228,233	-	145,228,233	203,947,794
Purchases of investments	(145,080,066)	-	(145,080,066)	(194,926,408)
Purchases of land, building and equipment	-	-	-	(18,943)
Change in mortgages and notes receivable	66,900	-	66,900	14,149
Distributions from (contributions to) split-interest agreements, net	-	118,261	118,261	(5,312)
Net cash flow from investing activities	<u>215,067</u>	<u>118,261</u>	<u>333,328</u>	<u>9,011,280</u>
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(3,846,726)	-	(3,846,726)	(4,113,988)
CASH AND SHORT-TERM INVESTMENTS - beginning of year	<u>12,480,610</u>	<u>-</u>	<u>12,480,610</u>	<u>16,594,598</u>
CASH AND SHORT-TERM INVESTMENTS - end of year	<u>\$ 8,633,884</u>	<u>\$ -</u>	<u>\$ 8,633,884</u>	<u>\$ 12,480,610</u>

The accompanying notes are an integral part of these statements.

ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

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 or purpose 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 2010, \$132,905 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.

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 limits amounts available for these purposes so as not to invade the historic value of its gifts on a component fund basis.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

- 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 7. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Generally accepted accounting principles require entities to disclose in their financial statements the nature of any uncertain tax positions claimed or to be claimed on filings with taxing authorities. 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.

The Community Foundation does 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 2007.

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.

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, 2009, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2009 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>2010</u>	<u>2009</u>
Cash	\$ 1,383,804	\$ 2,581,073
Investments	<u>3,519,365</u>	<u>2,227,127</u>
	<u>\$ 4,903,169</u>	<u>\$ 4,808,200</u>

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

	<u>2010</u>	<u>2009</u>
Contributions	\$ 2,230,139	\$ 2,063,832
Liquidation of donated assets	(11,403)	(3,819)
Distributions	<u>(2,123,767)</u>	<u>(2,198,209)</u>
Net change in Charitable Checking Account SM	94,969	(138,196)
Charitable Checking Account SM - beginning of year	<u>4,808,200</u>	<u>4,946,396</u>
Charitable Checking Account SM - end of year	<u>\$ 4,903,169</u>	<u>\$ 4,808,200</u>

Investments held in the Charitable Checking AccountSM include certificates of deposit and money market accounts and had maturities of less than three years at March 31, 2010 and 2009. These investments had a cost basis of \$3,519,365 and \$2,209,594 at March 31, 2010 and 2009, 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>2010</u>	<u>2009</u>
Contributions	\$ 1,052,952	\$ 1,381,482
Investment activity and other	2,220,207	(1,969,112)
Grants	<u>(337,578)</u>	<u>(775,045)</u>
Net change in agency funds	2,935,581	(1,362,675)
Agency funds - beginning of year	<u>6,413,612</u>	<u>7,776,287</u>
Agency funds - end of year	<u>\$ 9,349,193</u>	<u>\$ 6,413,612</u>

5. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Charitable remainder trusts	\$ 4,329,880	\$ 4,102,052
Pooled life income fund	1,683,559	1,448,324
Donated life insurance policies - cash surrender value	407,744	472,286
Charitable gift annuities	269,103	174,065
Life estate	<u>390,865</u>	<u>390,865</u>
	<u>\$ 7,081,151</u>	<u>\$ 6,587,592</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, 2010 and 2009, the face value of the donated life insurance policies was approximately \$4,301,000 and \$17,507,000, respectively.

6. INVESTMENTS

Investments consisted of the following at March 31:

	<u>2010</u>		<u>2009</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and equivalents	\$ 6,338,615	\$ 6,338,615	\$ 3,995,711	\$ 3,995,711
U.S. Government obligations	-	-	691,555	674,023
Certificates of deposit	2,030,547	2,030,547	535,214	535,044
Common stocks	50,117,310	43,317,821	35,290,281	47,211,801
Partnership interests	28,768,003	23,203,393	18,239,351	23,025,359
Fixed income mutual funds	52,049,974	50,008,305	40,759,157	41,162,102
Equity mutual funds	<u>46,273,847</u>	<u>42,108,065</u>	<u>39,090,315</u>	<u>53,743,018</u>
	<u>\$ 185,578,296</u>	<u>\$ 167,006,746</u>	<u>\$ 138,601,584</u>	<u>\$ 170,347,058</u>

Investment management fees were approximately \$581,000 and \$562,000 for the years ended March 31, 2010 and 2009, 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 consist of the Community Foundation's investments in limited liability companies for the purpose of long-term growth, principally by investing in equity securities.

7. 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>2010</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments:				
Partnership interests	\$ -	\$ 28,768,003	\$ -	\$ 28,768,003
Other investments	<u>148,441,131</u>	<u>-</u>	<u>-</u>	<u>148,441,131</u>
Total investments	<u>\$ 148,441,131</u>	<u>\$ 28,768,003</u>	<u>\$ -</u>	<u>\$ 177,209,134</u>
<u>2009</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments:				
Partnership interests	\$ -	\$ 18,239,351	\$ -	\$ 18,239,351
Other investments	<u>115,831,308</u>	<u>-</u>	<u>-</u>	<u>115,831,308</u>
Total investments	<u>\$ 115,831,308</u>	<u>\$ 18,239,351</u>	<u>\$ -</u>	<u>\$ 134,070,659</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.

8. 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>2010</u>	<u>2009</u>
Endowment net assets - beginning of year	<u>\$ 109,504,035</u>	<u>\$ 154,964,158</u>
Investment return:		
Investment income	3,115,477	3,597,263
Net gain (loss)	<u>44,370,276</u>	<u>(43,197,932)</u>
Total investment return	<u>47,485,753</u>	<u>(39,600,669)</u>
Contributions	<u>1,302,308</u>	<u>1,307,501</u>
Expenses	<u>(1,744,868)</u>	<u>(1,632,299)</u>
Transfers	<u>551,386</u>	<u>473,653</u>
Grants:		
Spending policy distributions	(5,859,533)	(4,780,819)
Feinbloom Foundation	<u>(200,000)</u>	<u>(280,184)</u>
Total grants from endowment	<u>(6,059,533)</u>	<u>(5,061,003)</u>
Endowment net assets - end of year	<u>\$ 151,039,081</u>	<u>\$ 109,504,035</u>

8. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law

In accordance with its accounting policies in 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. The Community Foundation also observes the Uniform Management of Institutional Funds Act protection of the historic gift value of individual endowment funds.

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

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 capital appreciation to make full spending-policy distributions. In these circumstances, only interest and dividends are available for distributions. Due to market conditions, 14% and 60% of the Community Foundation's charitable endowment funds were not making full spending-policy distributions as of March 31, 2010 and 2009, respectively.

9. SPLIT-INTEREST AGREEMENTS

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

	<u>2010</u>		<u>2009</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Charitable remainder trusts	\$ 4,329,880	\$ -	\$ 4,102,052	\$ -
Pooled life income fund	2,384,447	700,888	2,159,412	711,088
Donated life insurance policies				
cash surrender value	407,744	-	472,286	-
Charitable gift annuities	540,632	271,529	468,002	293,935
Life estate	<u>540,000</u>	<u>149,135</u>	<u>540,000</u>	<u>149,135</u>
	<u>\$ 8,202,703</u>	<u>\$ 1,121,552</u>	<u>\$ 7,741,752</u>	<u>\$ 1,154,158</u>

10. LAND, BUILDING AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Land	\$ 160,000	\$ 160,000
Building and improvements	1,026,406	1,026,406
Equipment	<u>432,220</u>	<u>432,220</u>
	1,618,626	1,618,626
Less: Accumulated depreciation	<u>(821,637)</u>	<u>(779,752)</u>
	<u>\$ 796,989</u>	<u>\$ 838,874</u>

11. GRANTS PAYABLE

Grants payable consisted of unconditional promises to give to other organizations, which had not been paid as of March 31, 2010. These amounts are payable as follows in the years ending March 31:

2010	\$ 30,200
2011	<u>50,000</u>
	<u>\$ 80,200</u>

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, 2010 and 2009 was approximately \$39,000 and \$73,000, respectively.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 15, 2010, which is the date the financial statements were available to be issued.