

**THE COMMUNITY FOUNDATION FOR
GREATER NEW HAVEN AND AFFILIATE**

DECEMBER 31, 2009

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

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Independent Auditors' Report

To the Trustees' Committee and the Board of Directors
The Community Foundation for Greater New Haven
New Haven, Connecticut

We have audited the accompanying combined statements of financial position of The Community Foundation for Greater New Haven and Affiliate as of December 31, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of The Community Foundation for Greater New Haven's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for Greater New Haven and Affiliate as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2010 on our consideration of The Community Foundation for Greater New Haven's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Blum, Shapiro & Company, P.C.

February 26, 2010

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THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 251,186	\$ 494,156
Investments at market value	280,577,649	218,627,356
Investment in real estate	<u>1,645,000</u>	<u>1,645,000</u>
Total investments	282,473,835	220,766,512
Notes receivable	330,000	530,000
Contributions receivable	499,385	473,333
Grants receivable	1,121,893	1,309,831
Split-interest agreements	1,766,989	1,430,318
Other assets	33,732	49,749
Furniture, equipment and fixtures, net of accumulated depreciation	<u>317,397</u>	<u>432,964</u>
Total Assets	<u>\$ 286,543,231</u>	<u>\$ 224,992,707</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 595,148	\$ 765,764
Organization endowments	53,550,893	24,927,411
Liabilities under split-interest agreements	382,806	332,292
Grants payable	<u>3,039,568</u>	<u>4,361,835</u>
Total liabilities	<u>57,568,415</u>	<u>30,387,302</u>
Net Assets		
Unrestricted	226,964,725	192,984,936
Temporarily restricted	<u>2,010,091</u>	<u>1,620,469</u>
Total net assets	<u>228,974,816</u>	<u>194,605,405</u>
Total Liabilities and Net Assets	<u>\$ 286,543,231</u>	<u>\$ 224,992,707</u>

The accompanying notes are an integral part of the combined financial statements

**THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>			<u>2008</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue						
Contributions	\$ 29,851,305	\$ 42,636	\$ 29,893,941	\$ 24,049,110	\$ -	\$ 24,049,110
Less contributions to organization endowments	(22,943,099)	-	(22,943,099)	(9,687,596)	-	(9,687,596)
Net contributions	<u>6,908,206</u>	<u>42,636</u>	<u>6,950,842</u>	<u>14,361,514</u>	<u>-</u>	<u>14,361,514</u>
Realized and unrealized gain (loss) on investments, net of fees of \$1,425,775 for 2009 and \$934,592 for 2008	35,057,774	-	35,057,774	(81,763,696)	-	(81,763,696)
Investment income	7,601,409	-	7,601,409	11,204,813	-	11,204,813
Change in value of split-interest agreements, net	-	346,986	346,986	-	(947,642)	(947,642)
Total revenue, gains (losses) and other support	<u>49,567,389</u>	<u>389,622</u>	<u>49,957,011</u>	<u>(56,197,369)</u>	<u>(947,642)</u>	<u>(57,145,011)</u>
Expense						
Grants approved, net	14,452,021	-	14,452,021	14,129,245	-	14,129,245
Grants for program management and direct grant activities	<u>1,076,554</u>	<u>-</u>	<u>1,076,554</u>	<u>1,169,082</u>	<u>-</u>	<u>1,169,082</u>
Total grants	15,528,575	-	15,528,575	15,298,327	-	15,298,327
Less grants from organization endowments	(2,328,828)	-	(2,328,828)	(1,918,466)	-	(1,918,466)
Net grants	<u>13,199,747</u>	<u>-</u>	<u>13,199,747</u>	<u>13,379,861</u>	<u>-</u>	<u>13,379,861</u>
Management and administrative	668,599	-	668,599	704,053	-	704,053
Development, donor services and fund stewardship	1,050,655	-	1,050,655	1,156,102	-	1,156,102
Financial, endowment and investment management	668,599	-	668,599	737,826	-	737,826
Total expense	<u>15,587,600</u>	<u>-</u>	<u>15,587,600</u>	<u>15,977,842</u>	<u>-</u>	<u>15,977,842</u>
Increase (Decrease) in Net Assets	33,979,789	389,622	34,369,411	(72,175,211)	(947,642)	(73,122,853)
Net Assets - Beginning of Year	<u>192,984,936</u>	<u>1,620,469</u>	<u>194,605,405</u>	<u>265,160,147</u>	<u>2,568,111</u>	<u>267,728,258</u>
Net Assets - End of Year	<u>\$ 226,964,725</u>	<u>\$ 2,010,091</u>	<u>\$ 228,974,816</u>	<u>\$ 192,984,936</u>	<u>\$ 1,620,469</u>	<u>\$ 194,605,405</u>

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 34,369,411	\$ (73,122,853)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	122,806	115,474
Realized and unrealized (gains) losses on investments, net	(35,057,774)	81,763,696
(Increase) decrease in operating assets:		
Notes receivable	200,000	-
Grants receivable	187,938	(296,546)
Contributions receivable	(26,052)	215,648
Split-interest agreements	(336,671)	790,862
Other assets	16,017	4,596
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(170,616)	(447,780)
Organization endowments	28,623,482	(887,440)
Grants payable	(1,322,267)	1,156,806
Deferred revenue	-	(45,000)
Liabilities under split-interest agreements	50,514	(74,903)
Net cash provided by operating activities	<u>26,656,788</u>	<u>9,172,560</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	45,283,700	78,449,508
Purchases of investments	(72,176,219)	(87,293,900)
Purchases of furniture and equipment	(7,239)	(15,356)
Net cash used in investing activities	<u>(26,899,758)</u>	<u>(8,859,748)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(242,970)	312,812
Cash and Cash Equivalents - Beginning of Year	<u>494,156</u>	<u>181,344</u>
Cash and Cash Equivalents - End of Year	<u>\$ 251,186</u>	<u>\$ 494,156</u>

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - **Organization and Basis of Presentation:**

The Community Foundation for Greater New Haven (the Foundation), formerly The New Haven Foundation, was established in 1928 under a Resolution and Declaration of Trust as amended through April 2000 (the R&D). As of December 31, 2009, the R&D provides for the following Trustee Banks: Wells Fargo/Wachovia Bank, N.A., Bank of America, NewAlliance Bank and People's United Bank.

The accompanying combined financial statements include the accounts of The Foundation, The Community Foundation for Greater New Haven, Inc. (the Corporation) and the Valley Community Foundation, Inc. (the Affiliate) (the Foundation, the Corporation, and the Affiliate, together, are referred to as The Community Foundation). All material intercompany balances and transactions have been eliminated from The Community Foundation's financial statements.

The Corporation is a separate charitable corporation, organized in 1982 to perform the function and to carry out the purposes of The Foundation. The Affiliate is a separate charitable corporation, organized in 2004 to carry out the purposes, mission, objectives, operations and activities of the Foundation in the towns of Ansonia, Derby, Shelton, Seymour and Oxford, Connecticut, and their environs. The Affiliate is required through an affiliation agreement to operate at all times in connection with the Foundation under the requirements set forth in Section 509(a)(3) of the Internal Revenue Code.

The Community Foundation qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(vi) and is exempt from federal income and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 12-244 of the Connecticut General Statutes.

Note 2 - **Summary of Significant Accounting Policies:**

a. Basis of Accounting

The Community Foundation prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Financial Statement Presentation

The Community Foundation measures aggregate net assets based on the absence or existence of donor-imposed restrictions. The three categories of net assets for presentation of The Community Foundation's combined financial statements are as follows: unrestricted, temporarily restricted, and permanently restricted.

In August 2008, FAS117-1 was issued: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* that sets forth the

net asset classifications of donor-restricted endowment funds in accordance with the State of Connecticut's enacted version of the Uniform Prudent Management of Institutional Funds Act (CUPMIFA). This standard also requires other disclosures concerning an organization's charitable assets including whether or not the organization is subject to CUPMIFA. Although CUPMIFA is not germane, The Community Foundation has and will continue to provide these additional disclosures for fulfillment of donor intent, and will continue its stewardship responsibility by internally accounting for and reporting on all net assets in accordance with each donor's original intent as provided for in the underlying gift instrument that established the fund, as presented in footnote 3a. The impact of this new standard's adoption was negligible on the presentation of The Community Foundation's financial statements given the governing documents' provision for variance power, the unilateral power to redirect the use of a contribution for another charitable purpose. The criteria and circumstances under which the Board of Directors of The Community Foundation would exercise its responsibility under the variance power provision are prescribed within the R&D.

The Community Foundation's combined financial statements classify substantially all net assets as unrestricted; however, all recordkeeping for internal management and external reporting retains the original donor intent and direction for every charitable fund held within The Community Foundation. All contributions not classified as temporarily restricted are classified as unrestricted net assets. Temporarily restricted net assets consist of irrevocable charitable trusts, lead trusts, and pooled income funds, which are all classified as split-interest agreements, as defined in note 2j, below.

As the community's perpetual endowment organization, The Community Foundation's spending policies and philosophy contained in the R&D since their creation in 1993 and as amended through 1998, as well as the long-term investment management policies and procedures, both of which are further described in footnote 3b, were designed to function as integrated processes and are administered to reflect the following facts and circumstances, as also described in CUPMIFA, for prudent stewards of charitable assets, including:

- 1) The duration and preservation of a fund;
- 2) The purpose of the organization and the donor designations thereto;
- 3) General economic conditions;
- 4) The possible effects of inflation and deflation;
- 5) The expected total return of the charitable assets;
- 6) Other resources of the organization;
- 7) The investment policies

c. Organization Endowment Funds

The Community Foundation receives and distributes assets for certain endowment funds that have been established by a nonprofit from its own resources for the sole purpose of supporting that specific nonprofit's operations. Amounts received and distributed under these relationships totaled \$22,943,099 and \$2,328,828, respectively, for the year ended December 31, 2009, and \$9,687,596 and \$1,918,466, respectively, for the year ended December 31, 2008.

The amounts received but not yet distributed totaled \$53,550,893 and \$24,927,411 at December 31, 2009 and 2008, respectively, and are included on the combined statements of financial position in organization endowments.

d. Cash and Cash Equivalents

Cash and cash equivalents include currency and interest-bearing short-term investments with an average maturity of three months or less.

The Community Foundation maintains deposits which may, at times, be in excess of the financial institution's insurance limits. The Community Foundation invests available cash and cash equivalents with high-credit quality institutions and believes that such deposits are not subject to significant credit risk.

e. Investments

Investments are carried at fair value, as discussed in note 2f below. Investments include alternative investments, which are principally absolute return strategies, private equity, hedged equity and real estate. Because most alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the investment's governing agreement, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. Fair value of alternative investments in limited partnerships are determined by the general partner to be at fair value pursuant to GAAP's standard referred to as *Fair Value Measurements* after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity and lock-up features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings, and the audit opinion from the independent auditor of that limited partnership.

Investments at December 31, 2009 and 2008, consisted of the following:

	2009		2008	
	Fair Value	Cost or Assigned Value	Fair Value	Cost or Assigned Value
Short-term investments	\$ 14,030,455	\$ 6,440,607	\$ 35,025,373	\$ 34,691,791
Equities (Domestic and Foreign)	172,431,152	171,994,267	110,595,842	150,464,442
Alternatives	54,896,924	50,104,859	47,527,206	40,818,475
Fixed income	39,219,118	35,283,132	25,478,935	24,365,242
	<u>\$ 280,577,649</u>	<u>\$ 263,822,865</u>	<u>\$ 218,627,356</u>	<u>\$ 250,339,950</u>

The Community Foundation believes that the carrying amounts of its investments are at a reasonable fair value as of December 31, 2009 and 2008.

Total realized and unrealized gains on assets measured on a recurring basis included in the change in net assets for the year ended December 31, 2009 and for assets still held at year end are \$36,483,549, of which the change in unrealized gains or losses of investments still held at year end is \$128,001,023.

Investments in partnerships frequently involve a capital commitment by the investors that may be called over a specified multi-year period as requested by the general partner. At December 31, 2009, the Foundation had \$6,250,000 of uncalled commitments to certain limited partnerships that may be called in the future.

f. Fair Value of Financial Instruments

The Community Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Observable inputs from quoted market prices for identical assets or liabilities to which The Community Foundation has independent access at the measurement date.

Level 2: Observable inputs other than from direct quoted market prices or indices for the asset or liability, either directly or indirectly, or can be corroborated by observable inputs and market data.

Level 3: Prices, which may be based on an underlying quoted market price, observable input and/or market data contained in Level 1 and Level 2, which also requires significant judgment on observable inputs by the investee as to the net asset value per share or unit of The Community Foundation’s ownership interest in the partners’ capital, and where redemption would be available in a period of more than 90 days from the measurement date. Valuation methodologies by the investee include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third-party appraisals, third-party pricing services and other applicable indices.

Where:

Observable inputs reflect the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and from independent sources that are actively involved in the relevant markets, and include assumptions made in pricing and valuations of the asset or liability that are developed from sources independent of The Community Foundation; and

Unobservable inputs reflect The Community Foundation’s own assumptions about the fair value assumptions made by investees’ use in pricing the asset or liability developed based on the best information available.

The Community Foundation does not use unobservable inputs for determining fair value of its investments

The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis:

	<u>Total</u>		<u>(Level 1)</u>		<u>(Level 2)</u>		<u>(Level 3)</u>
December 31, 2009	\$ 280,577,649	\$	161,820,576	\$	63,860,149	\$	54,896,924
December 31, 2008	218,627,356		117,715,424		53,384,726		47,527,206

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs:

Fair value at December 31, 2008	\$	47,527,206
Net realized and unrealized gains		4,086,175
Sales of investments		(2,956,281)
Purchases of investments		<u>6,239,824</u>
Fair Value at December 31, 2009	\$	<u><u>54,896,924</u></u>

The Community Foundation's carrying amounts of cash and cash equivalents, accounts and grants payable and accrued expenses approximate fair value under Level 1. Investments are carried at fair value based as presented above. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate. Organization endowment funds are carried at fair value based on the underlying investments. Derivatives instruments are measured at fair value based on observable inputs. Certain alternative investments use stock indices, swaps, options, convertible securities and foreign currency exchange contracts, which are classified as derivatives. The Community Foundation does not use derivatives for speculative purposes or for leveraging returns, but rather these instruments are used with the objectives of reducing overall portfolio risk.

g. Investment in Real Estate

In June 1990, the Foundation and Corporation relocated their offices to The New Haven Foundation Building (the Building), a five-story, 26,976 square-foot office complex (excluding common and limited common space) on 0.16 acres of land, which was purchased for one dollar per square foot (\$6,986) by the developer from the City of New Haven. The Building is classified and recognized by the Internal Revenue Service as a nonprofit condominium.

Floors four and five are owned and occupied by the Foundation, floor three is owned by the Corporation and occupied by the Foundation, and floors one and two are owned by unrelated nonprofit organizations. Since the Building is accounted for as an investment, no depreciation has been recognized. Pursuant to the policy adopted by the Board of Directors for this investment, the Building will be periodically and independently assessed to determine its current fair value. The Building was independently appraised in 2004. Due to the unique nature and restrictions of the Building, the Board of Directors requires periodic valuation through an independent market appraisal not less frequently than every five years. In accordance with the Board of Director's original resolution, the carrying value of the Building represents the fair value.

h. Furniture, Equipment and Fixtures

Furniture, equipment and fixtures purchased in excess of \$100 are capitalized and are stated at historical cost. Depreciation is provided on a straight-line basis over the following useful lives:

Furniture, equipment and fixtures	5-20 years
Computer equipment	3-5 years

Furniture, equipment and fixtures at December 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Furniture, equipment and fixtures	\$ 1,113,085	\$ 1,227,303
Accumulated depreciation	<u>(795,688)</u>	<u>(794,339)</u>
Furniture, Equipment and Fixtures, Net	<u>\$ 317,397</u>	<u>\$ 432,964</u>

i. Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. The Community Foundation reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Certain governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost reimbursement grants and contracts is recognized to the extent of costs incurred.

j. Split-Interest Agreements

Split-interest agreements consist of charitable assets irrevocably transferred for the benefit of The Community Foundation and other beneficiaries. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when The Community Foundation is notified of the existence of the agreement. The accounting treatment varies depending upon the type of agreement created and whether The Community Foundation or a third party is the trustee.

The Community Foundation is a party to the following types of split-interest agreements:

Charitable Remainder Trusts and Pooled Income Funds - The Community Foundation is the beneficiary of various charitable remainder trusts and pooled income funds managed by unrelated entities. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiary(ies) over the trust's term. At the end of the trust's term, the remaining assets are available for The Community Foundation's use. The trust is carried at the fair value of the underlying investments. The portion of the trust attributable to the present value of the future benefits to be received by The Community Foundation is recognized in the statement of activities as a temporarily restricted contribution in the period the trust is established. On an annual basis, The Community Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 4.5% and applicable mortality tables.

Charitable Gift Annuity - The Community Foundation is the beneficiary of a charitable gift annuity whereby assets were transferred to The Community Foundation in exchange for The Community Foundation agreeing to pay a stated dollar amount annually to the designated beneficiary. Upon the death of the beneficiary, the remaining assets are available for The Community Foundation's use. The portion of the assets transferred that is attributable to the present value of the future benefits to be received by The Community Foundation is recognized in the statement of activities as a temporarily restricted contribution in the period it is established. On an annual basis, The Community Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 4.5% and applicable mortality tables.

k. Grants and Contracts Payable

Grants are recorded when approved by the Board of Directors and when the recipient has satisfied all material conditions of the terms of the grant agreement. Certain of these approved grant commitments are to provide staffing and related expenses of programs, including projects and programs for which The Community Foundation acts as financial intermediary or fiduciary.

As of December 31, 2009, The Community Foundation is unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. In the normal course of business, refunds and cancellations occur as a result of the recipient's needs being less than the appropriated amount and are deducted from the grant appropriations reported in the period canceled or refunded. Grant activity for the years ended December 31, 2009 and 2008, is summarized below:

	<u>2009</u>	<u>2008</u>
Grants payable, beginning of year	\$ 4,361,835	\$ 3,205,029
Grants approved	16,098,095	15,681,974
Grant payments distributed	(17,258,586)	(14,324,211)
Cancellations and adjustments	<u>(161,776)</u>	<u>(200,957)</u>
Grants Payable, End of Year	<u>\$ 3,039,568</u>	<u>\$ 4,361,835</u>

l. Investment Management Fees

Investment management fees are those direct expenses associated with the management of The Community Foundation's assets, which include all trustee, custodial and investment management fees. These are allocated against realized and unrealized gains on investments on the combined statements of activities, and the value is disclosed thereon.

m. Notes Receivable

Loans made by The Community Foundation to nonprofit organizations, which are not treated as grants, are recorded at their principal amount as a note receivable at the time of issuance. Payments of principal are a reduction of the note receivable, and interest payments are recorded as investment income. At certain times the Board of Directors has converted note receivables to grants to meet The Community Foundation's charitable purposes.

n. Use of Estimates

The preparation of financial statements in conformity GAAP requires management to make estimates that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

o. Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

p. Subsequent Events

In preparing these combined financial statements, management has evaluated subsequent events through February 26, 2010, which represents the date the financial statements were available to be issued.

Note 3 - **Net Asset Management:**

a. Net Asset Classifications and Values

As discussed in Note 2b, The Community Foundation internally accounts for all net assets in accordance with the donor's original intent as provided for in the gift instrument in the following unrestricted net asset classifications:

Designated: Represent funds for which the spending is distributed to one or more charitable beneficiaries in accordance with the donor's designation.

Donor-Advised: Represent funds for which the donor has reserved the right to make nonbinding distribution recommendations to The Community Foundation.

Preference: Represent funds for which the spending is distributed to a specific field of interest or geographic location in accordance with the donor's desire.

Unrestricted: Represent funds which are discretionary.

Net assets as of December 31, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Unrestricted net assets:		
Designated	\$ 52,598,762	\$ 42,704,871
Donor-advised	29,141,637	24,375,501
Preference	71,844,048	61,041,436
Unrestricted	<u>73,380,278</u>	<u>64,863,128</u>
Total unrestricted net assets	226,964,725	192,984,936
Temporarily restricted net assets	<u>2,010,091</u>	<u>1,620,469</u>
Total Net Assets	<u>\$ 228,974,816</u>	<u>\$ 194,605,405</u>

b. Endowment Spending

The Community Foundation employs a spending rule policy to maximize the flexibility, efficiency and impact of the endowment management process. This fund utilization policy does not distinguish between investment yield and appreciation, but rather on the total return of the assets.

Since 1997, the Foundation and Corporation have employed a spending rule policy that calculates endowment spending based on a 20-quarters trailing average market value at a specific spending rate, with a minimum (a Floor) of 4.25% and a maximum (a Cap) of 5.75%, which will be applied to the September 30th quarter-ending market valuation. The total value of endowment spending during any fiscal year shall be equal to the greater of the amounts calculated by applying the spending rate to the previous 20-quarters average market value or to that amount calculated by using the Floor. However, under no circumstances shall the amount of endowment spending during any fiscal year be greater than the amount determined by using the Cap.

Based upon the spending rule policy, \$13,544,158 and \$12,524,173 were provided for during the years ended December 31, 2009 and 2008, respectively.

Note 4 - **Retirement Plan:**

Eligible employees are covered under a fully funded, noncontributory 403(b) retirement plan that requires that The Community Foundation make contributions thereto based on employees' earnings. Total retirement plan contributions were \$95,585 and \$203,852 for the years ended December 31, 2009 and 2008, respectively.