

**The Foundation for Enhancing  
Communities**

Financial Statements and  
Supplementary Information

Year Ended December 31, 2009 with  
Independent Auditor's Report



# THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2009

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Independent Auditor's Report

Board of Directors  
The Foundation for Enhancing Communities

We have audited the accompanying statement of financial position of The Foundation for Enhancing Communities (Foundation) as of December 31, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's financial statements and, in our report dated February 19, 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the December 31, 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses presented in the supplementary information is presented for the purpose of additional analysis of the financial statements and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
February 23, 2010

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

(With Comparative Totals at December 31, 2008)

Assets	2009	2008 (Restated)
Current assets:		
Cash and cash equivalents	\$ 2,015,511	\$ 2,835,202
Receivables:		
Accounts	58,425	75,505
Contributions	447,001	461,873
Current portion of pledges receivable	52,800	22,720
Interest	2,593	3,555
Prepaid expenses	19,362	17,633
Total current assets	2,595,692	3,416,488
Noncurrent assets:		
Pledges receivable, net of current portion	121,680	23,200
Property and equipment, net	23,676	32,606
Investments	42,618,604	36,832,949
Split-interest agreements	7,479,603	6,352,516
Beneficial interest in trusts held by others	-	50,000
Total Assets	\$ 52,839,255	\$ 46,707,759
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 5,831	\$ 11,376
Grants payable	617,975	550,872
Total current liabilities	623,806	562,248
Noncurrent liabilities:		
Liability to resource providers	2,828,321	2,334,383
Liabilities under split-interest agreements	4,732,028	4,121,110
Total Liabilities	8,184,155	7,017,741
Net Assets:		
Unrestricted	35,370,720	30,367,828
Temporarily restricted	9,173,380	9,211,190
Permanently restricted	111,000	111,000
Total Net Assets	44,655,100	39,690,018
Total Liabilities and Net Assets	\$ 52,839,255	\$ 46,707,759

The accompanying notes are an integral part of these financial statements.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

(With Comparative Totals For Year Ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
<b>Revenue, Gains, and Other Support:</b>					
Contributions	\$ 3,094,746	\$ 682,504	\$ -	\$ 3,777,250	\$ 5,529,814
Income (loss) on investments	7,623,740	25,886	-	7,649,626	(14,609,219)
Fee income	106,375	-	-	106,375	113,184
Other income	149,480	-	-	149,480	150,107
Split-interest agreements	-	6,181	-	6,181	464,281
Change in value of split-interest agreements	-	509,988	-	509,988	(1,373,182)
Net assets released from restriction	1,262,369	(1,262,369)	-	-	-
<b>Total revenue, gains, and other support</b>	<b>12,236,710</b>	<b>(37,810)</b>	<b>-</b>	<b>12,198,900</b>	<b>(9,725,015)</b>
<b>Expenses:</b>					
Program services	6,498,855	-	-	6,498,855	6,486,099
General and administrative	487,816	-	-	487,816	682,731
Asset development	247,147	-	-	247,147	148,874
<b>Total expenses</b>	<b>7,233,818</b>	<b>-</b>	<b>-</b>	<b>7,233,818</b>	<b>7,317,704</b>
<b>Change in Net Assets</b>	<b>5,002,892</b>	<b>(37,810)</b>	<b>-</b>	<b>4,965,082</b>	<b>(17,042,719)</b>
<b>Net Assets:</b>					
Beginning of year - restated	30,367,828	9,211,190	111,000	39,690,018	56,732,737
End of year	<u>\$ 35,370,720</u>	<u>\$ 9,173,380</u>	<u>\$ 111,000</u>	<u>\$ 44,655,100</u>	<u>\$ 39,690,018</u>

The accompanying notes are an integral part of these financial statements.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

(With Comparative Totals For Year Ended December 31, 2008)

	2009	2008
<b>Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:</b>		
Change in net assets	\$ 4,965,082	\$(17,042,719)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss (gain) on investments	(7,282,564)	17,477,219
Split-interest agreements	(6,181)	(464,281)
Beneficial interest in trusts held by others	50,000	-
Net change in value of split-interest agreements	(509,988)	1,373,182
Donated investments	(221,904)	(587,607)
Depreciation	9,417	9,649
(Increase) decrease in:		
Receivables	(95,646)	355,837
Prepaid expenses	(1,729)	(15,941)
Increase (decrease) in:		
Accounts payable	(5,545)	(11,813)
Grants payable	67,103	98,336
Liability to resource providers	493,938	(1,250,736)
Net cash used in operating activities	(2,538,017)	(58,874)
<b>Cash Flows from Investing Activities:</b>		
Purchase of equipment	(487)	(4,156)
Purchase of investments	(3,062,599)	(3,850,191)
Proceeds from the sale of investments	4,781,412	4,533,669
Net cash provided by investing activities	1,718,326	679,322
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(819,691)	620,448
<b>Cash and Cash Equivalents</b>		
Beginning of year	2,835,202	2,214,754
End of year	\$ 2,015,511	\$ 2,835,202

The accompanying notes are an integral part of these financial statements.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Foundation for Enhancing Communities (the Foundation) is a non-profit community foundation. Its primary purpose is to attract, manage, and disburse funds for philanthropic purposes to organizations in the greater Harrisburg area.

#### Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

#### Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The net realized and unrealized gain on investments presented in the Statement of Cash Flows for the year ended December 31, 2009 is reported in the financial statements as follows:

Net realized and unrealized gain on investments	\$ 6,703,326
Attributable to assets held for resource providers	<u>579,238</u>
	<u>\$ 7,282,564</u>

#### Receivables

The Foundation considers all contribution and pledges receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is reported. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

#### Investments

##### *Fair Value Measurements*

Effective January 1, 2009, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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the inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. SFAS No. 157 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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### *Valuation of Investments*

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans, and bridge loans, less liquid listed equities, state, municipal, and provincial obligations, most physical commodities, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans, and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for these securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Foundation in estimating the value of Level 3 investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations, and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Foundation's results of operations.

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are recorded at the fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

### Property and Equipment

Land, furniture, and equipment are recorded at cost or fair market value (if donated), less accumulated depreciation. Donated assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Depreciation policies reflect the use of the straight-line method with useful lives ranging from 2 to 10 years. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

### Liability to Resource Providers

Liability to resource providers consists of assets transferred from non-profit organizations that specified itself or an affiliate as the beneficiary of the fund created.

### Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same period. Restrictions not met in the same period are reported as an increase in temporarily restricted net assets. When a 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 Statement of Activities as net assets released from restrictions.

### Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets, other asset enhancements and diminishments, and reclassifications to (or from) other classes of net assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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### Permanently Restricted Net Assets

Permanently restricted net assets result from contributions with donor-imposed stipulations that must be maintained permanently by the Foundation.

### Estimates

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

### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Endowment Investment and Spending Policies

The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives with prudent risk parameters.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant-making and administration. Based on the investment model selected by the donor, the current spending policy is to distribute between 4.0% and 6.5% of a moving five-year trailing average of the fair value of the endowment funds plus a historical performance factor. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

### Tax Status

The Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code (Code) and is a publicly supported organization as described in Section 509(a)(1) of the Code, and files Form 990 - Return of Organization Exempt from Income Tax, on an annual basis.

### Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

### Reclassification

Certain items in the 2008 financial statements have been reclassified to conform to the presentation of the 2009 financial statements.

### Risks and Uncertainties

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash and investments in marketable securities. As a matter of policy, the Foundation maintains cash balances only with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amount reported on the Statement of Financial Position.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

## 2. DEPOSITS

Cash and cash equivalents with a book value and bank balance of \$2,015,511 and \$2,069,897, respectively, at December 31, 2009 consist of \$250,000 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and \$1,819,897 of checking account and money market account deposits held in trust and brokerage accounts that are not subject to FDIC insurance.

## 3. CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions receivable consists of amounts due to the Foundation through wills or estate agreements. The entire amount of contributions receivable is considered due within one year. However, \$400,000 is being contested and the timing of the receipt is unknown.

Pledges receivable, summarized by donor type, consist of the following at December 31, 2009:

Individuals	\$ 173,480
Others	1,000
	<u>\$ 174,480</u>

Amounts due in:	
Less than one year	\$ 52,800
One to five years	121,680
	<u>\$ 174,480</u>

## 4. INVESTMENTS

The Foundation's investments are, in part, comprised of funds held awaiting distribution to approved recipients of such funds and investments held under custodial agreements.

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

Such invested funds are, upon approval of the Board of Directors, either disbursed in accordance with the original donor's request from a disbursing account or income is distributed at the discretion of the Board of Directors from investments held under custodial agreements.

Investments consist of the following at December 31, 2009:

	Cost/ Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Common stock	\$ 162,514	\$ 120,290	\$ (42,224)
Mutual funds	39,901,409	41,704,671	1,803,262
Tuition credits	682,643	682,643	-
Land	111,000	111,000	-
	<u>\$ 40,857,566</u>	<u>\$ 42,618,604</u>	<u>\$ 1,761,038</u>

Income on investments consists of the following for the year ended December 31, 2009:

Interest and dividends	\$ 946,300
Net realized and unrealized gain	<u>6,703,326</u>
	<u>\$ 7,649,626</u>

### Fair Value of Financial Instruments

The following table summarizes investments by SFAS No. 157 levels as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	\$ 120,290	\$ -	\$ -	\$ 120,290
Mutual funds	41,704,671	-	-	41,704,671
Tuition credits	-	-	682,643	682,643
Land	-	-	111,000	111,000
Total investments	<u>\$ 41,824,961</u>	<u>\$ -</u>	<u>\$ 793,643</u>	<u>\$ 42,618,604</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,479,603</u>	<u>\$ 7,479,603</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

The following table summarizes the changes in fair values associated with SFAS No. 157 Level 3 assets:

	Balance as of December 31, 2008	Contributions/ Purchases	Withdrawals/ Payments	Change in Value of Split-Interest Agreements	Balance as of December 31, 2009
Tuition credits	\$ 723,408	\$ -	\$ (40,765)	\$ -	\$ 682,643
Land	111,000	-	-	-	111,000
Split-interest agreements	6,352,516	40,000	-	1,087,087	7,479,603
	<u>\$ 7,186,924</u>	<u>\$ 40,000</u>	<u>\$ (40,765)</u>	<u>\$ 1,087,087</u>	<u>\$ 8,273,246</u>

All change in value of split-interest agreements in the table above is reflected in the accompanying Statements of Activities.

### 5. SPLIT-INTEREST AGREEMENTS

The Foundation is trustee for several charitable remainder unitrusts (unitrusts) and charitable lead trusts (lead trusts) with a fair value of the assets at December 31, 2009 of \$7,479,603. The unitrusts require annual distributions to the donors and the remainder is distributed to the Foundation at termination of the trust. The lead trusts require annual distributions to the Foundation and the remainder is distributed to the donors at termination of the trust. The present value of future payment liabilities on unitrusts, based on the donors' ages and a discount factor of 3.2% to 8.4% and lead trusts, based on a set period of 15 years and a discount factor of 7.4%, is \$4,732,028 at December 31, 2009.

Fair value of split-interest agreements at December 31, 2009	\$ 7,479,603
Present value of contributions to the Foundation	<u>(2,747,575)</u>
Present value of future liabilities under split interest agreements at December 31, 2009	<u>\$ 4,732,028</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

### 6. GRANTS PAYABLE

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. During the year ended December 31, 2009, grant expense was \$4,329,702. Grants payable totaling \$617,975 represents amounts approved by the Board of Directors, but not disbursed as of December 31, 2009.

### 7. RESTRICTIONS ON NET ASSETS

At December 31, 2009, unrestricted net assets consist of approximately \$35,330,000 in endowment funds. While the Foundation retains variance power, it is Foundation policy that the donors' intention will be honored unless it is impossible, impractical, undesirable, or inadvisable to do so. Therefore, the principal of the endowment funds will remain intact.

At December 31, 2009, temporarily restricted net assets consist of split-interest agreements which are subject to time restrictions totaling \$2,747,575, special projects which are subject to purpose restrictions totaling \$2,444,080, and a restricted fund subject to time restrictions totaling \$3,981,725.

At December 31, 2009, permanently restricted net assets consist of the land donated to the Foundation to be held indefinitely totaling \$111,000.

Endowment net asset composition by type of fund as of December 31, 2009 is as follows:

	<u>Unrestricted Net Assets</u>
Endowment funds with variance power - beginning of year	\$ 30,317,000
Contributions	2,002,000
Other income	256,000
Investment income	7,374,000
Expenses	<u>(4,619,000)</u>
Endowment funds with variance power - end of year	<u>\$ 35,330,000</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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### 8. RESTATEMENT

December 31, 2009 unrestricted net assets have been decreased by \$3,709,573 from \$34,077,401 to \$30,367,828 and December 31, 2008 temporarily restricted net assets have been increased by \$3,709,573 from \$5,501,617 to \$9,211,190 to properly record a time restriction.

Had the restricted fund been properly recorded, the change in net assets – unrestricted for the year ended December 31, 2008 would have decreased by \$111,936, restating the decrease in net assets originally reported in the amount of (\$15,499,396) to (\$15,611,332). Additionally, the change in net assets – temporarily restricted for the year ended December 31, 2008 would have increased by \$111,936, restating the decrease in net assets originally reported in the amount of (\$1,451,111) to (\$1,339,275).

### 9. OFFICE LEASE

The Foundation conducts its operations from an office that was leased under an operating lease that was entered into in August 2002 and amended in July 2006 extending the lease for ten years. The lease was amended again in April 2007 for additional office space. All other terms of the lease remained the same.

Under the conditions of the lease, rent is \$16.50 per rentable square foot with a 3% escalation clause on each one-year anniversary. An additional rate of \$1.29 per rentable square foot will be added for ten years to repay the lessor's costs of renovation. The escalation clause does not apply to this additional rate.

During the year ended December 31, 2009, rent under the current long-term lease was \$114,315.

Future minimum rental payments under the operating lease are as follows:

2010	\$ 117,566
2011	120,926
2012	124,387
2013	127,946
2014	131,609
2015-2016	<u>239,112</u>
Total Future Payments	<u>\$ 861,546</u>

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## **Supplementary Information**

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

(With Comparative Totals For Year Ended December 31, 2008)

Expenses:	Program Services	General and Adminis- trative	Asset Development	Total 2009	Total 2008
Grants	\$ 4,329,702	\$ -	\$ -	\$ 4,329,702	\$ 3,818,973
Salaries and benefits	278,800	322,576	105,695	707,071	894,107
Staff development	464	536	176	1,176	8,712
Professional fees	33,300	38,530	12,624	84,454	99,671
Marketing	7,228	8,363	2,740	18,331	41,695
Dues and fees	3,713	4,295	1,408	9,416	10,438
Office	12,990	15,029	4,924	32,943	43,503
Administrative and custodial fees	3,075	3,557	1,166	7,798	10,374
Technology	16,025	18,541	6,075	40,641	69,630
Miscellaneous	-	-	-	-	35,358
Depreciation	3,713	4,296	1,408	9,417	9,649
Printing	3,235	3,743	1,226	8,204	5,077
Travel and meetings	2,233	2,583	847	5,663	24,246
Rent and office maintenance	49,052	56,754	18,596	124,402	119,255
Insurance	7,790	9,013	2,953	19,756	21,315
Special projects	1,747,535	-	-	1,747,535	2,070,551
Special events	-	-	87,309	87,309	35,150
<b>Total expenses</b>	<b>\$ 6,498,855</b>	<b>\$ 487,816</b>	<b>\$ 247,147</b>	<b>\$ 7,233,818</b>	<b>\$ 7,317,704</b>