

**The Foundation for Enhancing  
Communities**

Financial Statements and  
Supplementary Information

Year Ended December 31, 2010 with  
Independent Auditor's Report

# THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2010

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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, 2010 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 23, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2010, 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 financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maher Duessel*

Harrisburg, Pennsylvania  
March 1, 2011

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(With Comparative Totals at December 31, 2009)

<b>Assets</b>	2010	2009
Current assets:		
Cash and cash equivalents	\$ 2,139,576	\$ 2,015,511
Receivables:		
Accounts	48,706	58,425
Contributions	1,491,076	447,001
Current portion of pledges receivable	57,600	52,800
Interest	-	2,593
Prepaid expenses	12,742	19,362
<b>Total current assets</b>	<b>3,749,700</b>	<b>2,595,692</b>
Noncurrent assets:		
Pledges receivable, net of current portion	71,855	121,680
Property and equipment, net	16,087	23,676
Investments	46,519,698	42,618,604
Split-interest agreements	8,078,993	7,479,603
<b>Total Assets</b>	<b>\$ 58,436,333</b>	<b>\$ 52,839,255</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 22,849	\$ 5,831
Grants payable	867,492	617,975
<b>Total current liabilities</b>	<b>890,341</b>	<b>623,806</b>
Noncurrent liabilities:		
Liability to resource providers	3,229,880	2,828,321
Liabilities under split-interest agreements	5,065,962	4,732,028
<b>Total Liabilities</b>	<b>9,186,183</b>	<b>8,184,155</b>
Net Assets:		
Unrestricted	39,846,572	35,370,720
Temporarily restricted	9,403,578	9,173,380
Permanently restricted	-	111,000
<b>Total Net Assets</b>	<b>49,250,150</b>	<b>44,655,100</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 58,436,333</b>	<b>\$ 52,839,255</b>

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

(With Comparative Totals For Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
<b>Revenue, Gains, and Other Support:</b>					
Contributions	\$ 3,821,378	\$ 1,218,347	\$ -	\$ 5,039,725	\$ 3,777,250
Income on investments	5,794,090	130,012	-	5,924,102	7,649,626
Fee income	65,742	-	-	65,742	106,375
Other income	139,050	-	-	139,050	149,480
Split-interest agreements	-	56,196	-	56,196	6,181
Change in value of split-interest agreements	-	209,260	-	209,260	509,988
Net assets released from restriction	1,494,617	(1,383,617)	(111,000)	-	-
 Total revenue, gains, and other support	 <u>11,314,877</u>	 <u>230,198</u>	 <u>(111,000)</u>	 <u>11,434,075</u>	 <u>12,198,900</u>
<b>Expenses:</b>					
Program services	6,115,354	-	-	6,115,354	6,498,855
General and administrative	416,078	-	-	416,078	487,816
Asset development	307,593	-	-	307,593	247,147
 Total expenses	 <u>6,839,025</u>	 <u>-</u>	 <u>-</u>	 <u>6,839,025</u>	 <u>7,233,818</u>
 <b>Change in Net Assets</b>	 <u>4,475,852</u>	 <u>230,198</u>	 <u>(111,000)</u>	 <u>4,595,050</u>	 <u>4,965,082</u>
<b>Net Assets:</b>					
Beginning 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>
End of year	<u>\$ 39,846,572</u>	<u>\$ 9,403,578</u>	<u>\$ -</u>	<u>\$ 49,250,150</u>	<u>\$ 44,655,100</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, 2010

(With Comparative Totals For Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of Change in Net Assets to</b>		
<b>Net Cash Used in Operating Activities:</b>		
Change in net assets	\$ 4,595,050	\$ 4,965,082
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(5,310,826)	(7,282,564)
Split-interest agreements	(56,196)	(6,181)
Beneficial interest in trusts held by others	-	50,000
Net change in value of split-interest agreements	(209,263)	(509,988)
Donated investments	(330,537)	(221,904)
Depreciation	7,589	9,417
(Increase) decrease in:		
Receivables	(986,738)	(95,646)
Prepaid expenses	6,620	(1,729)
Increase (decrease) in:		
Accounts payable	17,018	(5,545)
Grants payable	249,517	67,103
Liability to resource providers	401,559	493,938
	<u>(1,616,207)</u>	<u>(2,538,017)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of equipment	-	(487)
Purchase of investments	(1,418,893)	(3,062,599)
Proceeds from the sale of investments	3,159,165	4,781,412
	<u>1,740,272</u>	<u>1,718,326</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	124,065	(819,691)
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>2,015,511</u>	<u>2,835,202</u>
End of year	<u>\$ 2,139,576</u>	<u>\$ 2,015,511</u>

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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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, 2010 is reported in the financial statements as follows:

Net realized and unrealized gain on investments	\$ 4,944,753
Attributable to assets held for resource providers	<u>366,073</u>
	<u>\$ 5,310,826</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*

The Foundation records its investments based on fair value. The use of observable inputs are maximized and the use of unobservable inputs are minimized by using observable inputs when available.

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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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.

### *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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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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, less liquid mortgage securities (backed by either commercial or residential real estate) and tuition credits. 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 may 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.

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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 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.

### Permanently Restricted Net Assets

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 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 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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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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, 2009, from which the summarized information was derived.

### Reclassification

Certain items in the 2009 financial statements have been reclassified to conform to the presentation of the 2010 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.

### 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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 2. DEPOSITS

Cash and cash equivalents with a book value and bank balance of \$2,139,576 and \$1,288,095, respectively, at December 31, 2010 consist of \$250,000 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and \$1,038,095 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, estate or other agreements. The entire amount of contributions receivable is considered due within one year. However, the timing of the receipt of \$400,000 is unknown.

Pledges receivable, summarized by donor type, consist of the following at December 31, 2010:

Individuals	<u>\$ 129,455</u>
Amounts due in:	
Less than one year	\$ 57,600
One to five years	<u>71,855</u>
	<u>\$ 129,455</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.

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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Investments consist of the following at December 31, 2010:

	Cost/ Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Common stock	\$ 135,436	\$ 174,619	\$ 39,183
Mutual funds	38,781,038	45,581,052	6,800,014
Tuition credits	661,658	764,027	102,369
	<u>\$ 39,578,132</u>	<u>\$ 46,519,698</u>	<u>\$ 6,941,566</u>

Income on investments consists of the following for the year ended December 31, 2010:

Interest and dividends	\$ 979,349
Net realized and unrealized gain	4,944,753
	<u>\$ 5,924,102</u>

### Fair Value of Financial Instruments

The following table summarizes the fair value of financial investments by levels as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	\$ 174,619	\$ -	\$ -	\$ 174,619
Mutual funds	45,581,052	-	-	45,581,052
Tuition credits	-	-	764,027	764,027
Total investments	<u>\$ 45,755,671</u>	<u>\$ -</u>	<u>\$ 764,027</u>	<u>\$ 46,519,698</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,078,993</u>	<u>\$ 8,078,993</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The following table summarizes the changes in fair values associated with Level 3 assets:

	Balance as of December 31, 2009	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	Balance as of December 31, 2010
Tuition credits	\$ 682,643	\$ -	\$ -	\$ 81,384	\$ 764,027
Land	111,000	-	(111,000)	-	-
Split-interest agreements	<u>7,479,603</u>	<u>169,827</u>	<u>-</u>	<u>429,563</u>	<u>8,078,993</u>
	<u>\$ 8,273,246</u>	<u>\$ 169,827</u>	<u>\$ (111,000)</u>	<u>\$ 510,947</u>	<u>\$ 8,843,020</u>

All change in value of split-interest agreements in the table above is reflected in the accompanying Statements of Activities. Tuition credits represent an investment in the Pennsylvania 529 Guaranteed Savings Plan fund; a separate fund established by the Commonwealth of Pennsylvania and managed by the Pennsylvania Department of the Treasury, to be used for qualified college expenses.

### 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, 2010 of \$8,078,993. 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 2.0% to 8.4% and lead trusts, based on a set period of 15 years and a discount factor of 7.4%, is \$5,065,962 at December 31, 2010.

Fair value of split-interest agreements at December 31, 2010	\$ 8,078,993
Present value of contributions to the Foundation	<u>(3,013,031)</u>
Present value of future liabilities under split interest agreements at December 31, 2010	<u>\$ 5,065,962</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 6. GRANTS PAYABLE

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. During the year ended December 31, 2010, grant expense was \$3,916,843. Grants payable totaling \$867,492 represents amounts approved by the Board of Directors, but not disbursed as of December 31, 2010.

### 7. RESTRICTIONS ON NET ASSETS

At December 31, 2010, unrestricted net assets consist of approximately \$39,824,000 in endowment funds, of which \$39,399 is maintained in a Board-designated Operating Reserve fund. 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, 2010, temporarily restricted net assets consist of split-interest agreements which are subject to time restrictions totaling \$3,013,031, special projects which are subject to purpose restrictions totaling \$1,277,556, a restricted fund subject to time restrictions totaling \$4,112,991, and a \$1,000,000 restricted contribution receivable.

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted Net Assets</u>
Endowment funds with variance power - beginning of year	\$ 35,330,000
Contributions	2,971,000
Other income	205,000
Investment income	5,591,000
Expenses	<u>(4,273,000)</u>
Endowment funds with variance power - end of year	<u>\$ 39,824,000</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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### 8. 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, 2010, rent under the current long-term lease was \$117,574.

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

2011	\$ 120,926
2012	124,387
2013	127,946
2014	131,609
2015	135,393
2016	103,719
Total Future Payments	<u>\$ 743,980</u>

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## **Supplementary Information**

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

(With Comparative Totals For Year Ended December 31, 2009)

Expenses:	Program Services	General and Adminis- trative	Asset Development	Total 2010	Total 2009
Grants	\$ 3,916,843	\$ -	\$ -	\$ 3,916,843	\$ 4,329,702
Salaries and benefits	325,488	264,014	137,963	727,465	707,071
Staff development	5,440	4,412	2,306	12,158	1,176
Professional fees	34,348	27,861	14,559	76,768	84,454
Marketing	13,315	10,801	5,644	29,760	18,331
Dues and fees	4,910	3,982	2,081	10,973	9,416
Office	15,690	12,727	6,650	35,067	32,943
Administrative and custodial fees	7,148	5,797	3,029	15,974	7,798
Technology	27,100	21,981	11,486	60,567	40,641
Miscellaneous	1,724	1,399	731	3,854	-
Depreciation	3,396	2,754	1,439	7,589	9,417
Printing	2,686	2,179	1,138	6,003	8,204
Travel and meetings	4,765	3,864	2,019	10,648	5,663
Rent and office maintenance	59,138	47,968	25,066	132,172	124,402
Insurance	7,815	6,339	3,312	17,466	19,756
Special projects	1,685,548	-	-	1,685,548	1,747,535
Special events	-	-	90,170	90,170	87,309
<b>Total expenses</b>	<b>\$ 6,115,354</b>	<b>\$ 416,078</b>	<b>\$ 307,593</b>	<b>\$ 6,839,025</b>	<b>\$ 7,233,818</b>