

**The Foundation for Enhancing
Communities**

Financial Statements and
Supplementary Information

Year Ended December 31, 2011 with
Independent Auditor's Report

THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2011

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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, 2011 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 March 1, 2011, 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, 2011, 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
May 11, 2012

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(With Comparative Totals at December 31, 2010)

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 2,020,037	\$ 2,139,576
Receivables:		
Accounts	50,159	48,706
Contributions	1,413,959	1,491,076
Current portion of pledges receivable	75,775	57,600
Prepaid expenses	12,929	12,742
Total current assets	<u>3,572,859</u>	<u>3,749,700</u>
Noncurrent assets:		
Pledges receivable, net of current portion	303,100	71,855
Property and equipment, net	14,766	16,087
Investments	44,815,085	46,519,698
Split-interest agreements	8,233,443	8,078,993
Total Assets	<u><u>\$ 56,939,253</u></u>	<u><u>\$ 58,436,333</u></u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 28,035	\$ 22,849
Grants payable	625,138	867,492
Total current liabilities	<u>653,173</u>	<u>890,341</u>
Noncurrent liabilities:		
Liability to resource providers	3,250,083	3,229,880
Liabilities under split-interest agreements	5,174,578	5,065,962
Total Liabilities	<u>9,077,834</u>	<u>9,186,183</u>
Net Assets:		
Unrestricted	38,168,574	39,846,572
Temporarily restricted	9,692,845	9,403,578
Total Net Assets	<u>47,861,419</u>	<u>49,250,150</u>
Total Liabilities and Net Assets	<u><u>\$ 56,939,253</u></u>	<u><u>\$ 58,436,333</u></u>

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

(With Comparative Totals For Year Ended December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Revenue, Gains, and Other Support:				
Contributions	\$ 4,239,454	\$ 596,139	\$ 4,835,593	\$ 5,039,725
Income on investments	(586,713)	163,993	(422,720)	5,924,102
Fee income	168,938	-	168,938	65,742
Other income	129,645	-	129,645	139,050
Split-interest agreements	-	190,575	190,575	56,196
Change in value of split-interest agreements	-	(144,741)	(144,741)	209,260
Net assets released from restriction	516,699	(516,699)	-	-
	<u>4,468,023</u>	<u>289,267</u>	<u>4,757,290</u>	<u>11,434,075</u>
Expenses:				
Program services	5,320,439	-	5,320,439	6,115,354
General and administrative	582,662	-	582,662	416,078
Asset development	242,920	-	242,920	307,593
	<u>6,146,021</u>	<u>-</u>	<u>6,146,021</u>	<u>6,839,025</u>
Change in Net Assets	(1,677,998)	289,267	(1,388,731)	4,595,050
Net Assets:				
Beginning of year	<u>39,846,572</u>	<u>9,403,578</u>	<u>49,250,150</u>	<u>44,655,100</u>
End of year	<u>\$38,168,574</u>	<u>\$9,692,845</u>	<u>\$47,861,419</u>	<u>\$49,250,150</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, 2011

(With Comparative Totals For Year Ended December 31, 2010)

	2011	2010
Reconciliation of Change in Net Assets to		
Net Cash Used in Operating Activities:		
Change in net assets	\$ (1,388,731)	\$ 4,595,050
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss (gain) on investments	1,628,461	(5,310,826)
Split-interest agreements	(190,575)	(56,196)
Net change in value of split-interest agreements	144,741	(209,263)
Donated investments	(560,525)	(330,537)
Depreciation	7,660	7,589
(Increase) decrease in:		
Receivables	(173,756)	(986,738)
Prepaid expenses	(187)	6,620
Increase (decrease) in:		
Accounts payable	5,186	17,018
Grants payable	(242,354)	249,517
Liability to resource providers	20,203	401,559
	<u>(749,877)</u>	<u>(1,616,207)</u>
 Cash Flows from Investing Activities:		
Purchase of equipment	(6,339)	-
Purchase of investments	(2,814,477)	(1,418,893)
Proceeds from the sale of investments	3,451,154	3,159,165
	<u>630,338</u>	<u>1,740,272</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (119,539)	 124,065
 Cash and Cash Equivalents		
Beginning of year	2,139,576	2,015,511
End of year	<u>\$ 2,020,037</u>	<u>\$ 2,139,576</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, 2011

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 loss on investments presented in the Statement of Cash Flows for the year ended December 31, 2011 is reported in the financial statements as follows:

Net realized and unrealized loss on investments	\$ 1,479,564
Attributable to assets held for resource providers	148,897
	<u>\$ 1,628,461</u>

Receivables

The Foundation considers all contributions 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.

THE FOUNDATION FOR ENHANCING COMMUNITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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, 2011

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, 2011

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 two to ten 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, 2011

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, 2011

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.

The Forms filed are subject to examination by the IRS generally for three years after they are filed.

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, 2010, from which the summarized information was derived.

Reclassification

Certain items in the 2010 financial statements have been reclassified to conform to the presentation of the 2011 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, 2011

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 \$2,020,037 and \$2,196,910, respectively, at December 31, 2011 consist of \$250,000 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and \$1,946,910 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 timing of the receipt of certain contributions is unknown.

Pledges receivable, summarized by donor type, consist of the following at December 31, 2011:

Individuals	<u>\$ 378,875</u>
Amounts due in:	
Less than one year	\$ 75,775
One to five years	<u>303,100</u>
	<u>\$ 378,875</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, 2011

Fair Value of Financial Instruments

The following table sets forth by level, within the fair value hierarchy, the investments at fair value, cost, and unrealized appreciation (depreciation) as of December 31, 2011:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Common stock:				
Financials	1	\$ 91,875	\$ 115,203	\$ (23,328)
Equity mutual funds:				
Large cap funds	1	19,252,815	16,410,790	2,842,025
Mid cap funds	1	3,490,959	2,441,632	1,049,327
Small cap funds	1	5,502,142	5,315,496	186,646
International developed	1	5,751,199	5,536,706	214,493
Emerging markets	1	19,995	17,810	2,185
Real estate	1	14,146	18,894	(4,748)
Fixed mutual funds:				
Corporate bonds	1	2,953,064	2,926,468	26,596
U.S. Treasury	1	732,209	731,584	625
U.S. Agency obligations	1	5,876,810	5,424,824	451,986
Inflation-protected bonds	1	376,120	344,425	31,695
Tuition credits	3	753,751	627,424	126,327
		<u>\$ 44,815,085</u>	<u>\$ 39,911,256</u>	<u>\$ 4,903,829</u>
Split-interest agreements	3	<u>\$ 8,233,443</u>		

Income on investments consists of the following for the year ended December 31, 2011:

Interest and dividends	\$ 1,056,844
Net realized and unrealized loss (not including assets held for resource providers)	(1,479,564)
	<u>\$ (422,720)</u>

THE FOUNDATION FOR ENHANCING COMMUNITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

	Balance as of December 31, 2010	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	Balance as of December 31, 2011
Tuition credits	\$ 764,027	\$ -	\$ -	\$ (10,276)	\$ 753,751
Split-interest agreements	8,078,993	874,000	-	(719,550)	8,233,443
	<u>\$ 8,843,020</u>	<u>\$ 874,000</u>	<u>\$ -</u>	<u>\$ (729,826)</u>	<u>\$ 8,987,194</u>

All change in value of split-interest agreements in the table above is reflected in the accompanying Statement 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, 2011 of \$8,233,443. 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 1.6% to 8.4% and lead trusts, based on a set period of 15 years and a discount factor of 7.4%, is \$5,174,578 at December 31, 2011.

Fair value of split-interest agreements at December 31, 2011	\$ 8,233,443
Present value of contributions to the Foundation	<u>(3,058,865)</u>
Present value of future liabilities under split interest agreements at December 31, 2011	<u>\$ 5,174,578</u>

THE FOUNDATION FOR ENHANCING COMMUNITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

6. GRANTS PAYABLE

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. During the year ended December 31, 2011, grant expense was \$3,319,312. Grants payable totaling \$625,138 represents amounts approved by the Board of Directors, but not disbursed as of December 31, 2011.

7. RESTRICTIONS ON NET ASSETS

At December 31, 2011, unrestricted net assets consist of approximately \$38,145,000 in endowment funds, of which approximately \$110,000 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, 2011, temporarily restricted net assets consist of split-interest agreements which are subject to time restrictions totaling \$3,058,865, special projects which are subject to purpose restrictions totaling \$1,284,721, a restricted fund subject to time restrictions totaling \$4,349,259, and a \$1,000,000 restricted contribution receivable.

Endowment net asset composition by type of fund as of December 31, 2011 is as follows:

	<u>Unrestricted Net Assets</u>
Endowment funds with variance power - beginning of year	\$ 39,824,000
Contributions	3,029,000
Other income	299,000
Investment income	(728,000)
Program/grant expenses	<u>(4,279,000)</u>
Endowment funds with variance power - end of year	<u>\$ 38,145,000</u>

THE FOUNDATION FOR ENHANCING COMMUNITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

8. OFFICE LEASE

The Foundation conducts its operations from an office that is leased under an operating lease through 2016.

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, 2011, rent under the current long-term lease was \$120,930.

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

2012	\$ 124,387
2013	127,946
2014	131,609
2015	135,393
2016	<u>103,719</u>
Total Future Payments	<u>\$ 623,054</u>

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Supplementary Information

THE FOUNDATION FOR ENHANCING COMMUNITIES

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

(With Comparative Totals For Year Ended December 31, 2010)

	Program Services	General and Adminis- trative	Asset Development	Total 2011	Total 2010
Expenses:					
Grants	\$ 3,319,312	\$ -	\$ -	\$ 3,319,312	\$ 3,916,843
Salaries and benefits	282,034	374,722	126,953	783,709	727,465
Staff development	3,719	4,941	1,674	10,334	12,158
Professional fees	24,579	32,657	11,064	68,300	76,768
Marketing	18,895	25,104	8,505	52,504	29,760
Dues and fees	4,487	5,960	2,019	12,466	10,973
Office	13,287	17,654	5,981	36,922	35,067
Administrative and custodial fees	5,717	7,596	2,574	15,887	15,974
Technology	14,782	19,640	6,654	41,076	60,567
Miscellaneous	-	-	-	-	3,854
Depreciation	2,756	3,663	1,241	7,660	7,589
Printing	3,441	4,572	1,549	9,562	6,003
Travel and meetings	7,488	9,949	3,371	20,808	10,648
Rent and office maintenance	50,730	67,402	22,835	140,967	132,172
Insurance	6,625	8,802	2,982	18,409	17,466
Special projects	1,562,587	-	-	1,562,587	1,685,548
Special events	-	-	45,518	45,518	90,170
Total expenses	\$ 5,320,439	\$ 582,662	\$ 242,920	\$ 6,146,021	\$ 6,839,025