

**THE COMMUNITY FOUNDATION FOR
SOUTH CENTRAL NEW YORK, INC.**

**FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
AND FOR THE YEARS THEN ENDED**

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

DECEMBER 31, 2010 AND 2009

<u>C O N T E N T S</u>	<u>P A G E</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	2
Statements of Revenues, Expenses and Other Changes in Net Assets – Modified Cash Basis	3
Notes to Financial Statements	4–14

SBARRA & COMPANY

Certified Public Accountants, P.C.

Independent Auditor's Report

To The Board of Directors
The Community Foundation for
South Central New York, Inc.
520 Columbia Drive, Suite 100
Johnson City, New York 13790

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of The Community Foundation for South Central New York, Inc. (a nonprofit corporation) as of December 31, 2010 and 2009 and the related statements of revenues, expenses and other changes in net assets – modified cash basis for the years then ended. These financial statements are the responsibility of the Community Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets – modified cash basis of The Community Foundation for South Central New York, Inc. as of December 31, 2010 and 2009 and its revenues, expenses, grants and other changes in net assets – modified cash basis for the years then ended, on the basis of accounting described in Note 2.

Sbarras & Company CPA's, P.C.

SBARRA & COMPANY CPA'S, P.C.

Endicott, New York
May 18, 2011

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CASH	\$ 236,820	\$ 261,547
INVESTMENTS, at fair value (Notes 3 and 4)	17,096,329	15,667,339
OTHER ASSETS		
Property and equipment, net (Note 5)	26,582	–
Deposit	<u>–</u>	<u>1,500</u>
	<u>26,582</u>	<u>1,500</u>
TOTAL ASSETS	<u>\$ 17,359,731</u>	<u>\$ 15,930,386</u>
 LIABILITIES AND NET ASSETS		
COMMITMENTS (Notes 7 and 8)		
NET ASSETS		
Unrestricted (Notes 11 and 12)	<u>\$ 17,359,731</u>	<u>\$ 15,930,386</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,359,731</u>	<u>\$ 15,930,386</u>

See independent auditor's report
and accompanying notes

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

**STATEMENTS OF REVENUES, EXPENSES
AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
REVENUES AND SUPPORT		
Interest	\$ 7,794	\$ 2,206
Dividends from investments	201,739	224,171
Dividends from mutual funds	70,100	112,168
Net realized gain (loss) on sale of marketable investments	616,634	(166,854)
Net unrealized gain on investments	1,333,902	2,982,395
Contributions (Note 13)	315,172	852,023
Other	<u>17,668</u>	<u>8,867</u>
TOTAL REVENUES AND SUPPORT	<u>2,563,009</u>	<u>4,014,976</u>
EXPENSES (Note 10)		
Program services:		
Grantmaking		
Grants paid (Note 8)	593,472	575,275
Grant administrative expense	<u>75,006</u>	<u>67,394</u>
Total grantmaking	668,478	642,669
Community education and involvement	<u>28,479</u>	<u>38,995</u>
Total program services	<u>696,957</u>	<u>681,664</u>
Supporting services:		
Management and general	327,700	295,316
Fundraising	<u>109,007</u>	<u>114,216</u>
Total supporting services	<u>436,707</u>	<u>409,532</u>
TOTAL EXPENSES	<u>1,133,664</u>	<u>1,091,196</u>
INCREASE IN NET ASSETS	1,429,345	2,923,780
NET ASSETS, beginning of year	<u>15,930,386</u>	<u>13,006,606</u>
NET ASSETS, end of year	<u>\$ 17,359,731</u>	<u>\$ 15,930,386</u>

See independent auditor's report
and accompanying notes

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Community Foundation for South Central New York, Inc. (the "Community Foundation") was established in 1996, to be a tax-exempt, public, charitable, community foundation benefiting residents of Broome, Chenango, Cortland, Delaware, Otsego and Tioga Counties in New York. Revenues are provided primarily from public contributions and investment of Community Foundation assets in securities and mutual funds.

Members of the Board of Directors, committee members and employees abide by the conflict of interest and confidentiality policies established by the Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Community Foundation's policy is to prepare its financial statements on a modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred. Modifications include recognition of certain expenditures for property and equipment as assets.

Use of Estimates

The preparation of financial statements in conformity with modified cash basis generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates include expense allocation, grant commitments and fair value of investments. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank accounts, and money market funds, which at times, may exceed federally insured limits. The Community Foundation places its cash and temporary cash investments with high credit quality financial institutions and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The Community Foundation accounts for investments under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under FASB ASC 320, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values in the Statements of Assets, Liabilities and Net Assets – Modified Cash Basis.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair values of debt securities, marketable equity securities, and mutual funds are based on quoted market prices.

Hedge Funds holding marketable investments are stated at fair value as provided by the investment manager.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Community Foundation.

Property, Equipment and Depreciation

Costs of leasehold improvements, furniture and equipment of \$1,500 or more are capitalized. Costs of maintenance and repairs are charged to expenses as incurred.

Upon disposal or retirement of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue (loss). Depreciation is computed on a straight-line method over estimated useful lives, as follows:

Leasehold improvements	10 – 20 years
Furniture and equipment	3 – 7 years

Contributions and Net Assets Classification

Since, under New York State law and the Community Foundation's governing instruments, the Board of Directors of the Community Foundation has the power to vary the use of gifts from the original donor-prescribed purpose, the assets held as advised by donors or for a specified purpose are segregated in unrestricted net assets until such time (if ever) as the Board of Directors deems it prudent and appropriate under the variance power to redirect some part of the principal or appreciation. Accordingly, the statements classify all Community Foundation net assets as unrestricted, but segregate the portion for which contributions are designated for special grantmaking purposes from the funds that are designated for general grants or administration.

Contributions received by the Community Foundation are recorded as unrestricted revenue and net assets at their fair value in the period received. Unrestricted net assets are those over which the Board of Directors of the Community Foundation retains full control for use in achieving the institutional mission. Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Securities

Contributed securities are recorded at fair value and are liquidated promptly and invested along with cash contributions in individual securities, mutual funds, managed pooled investments or money market accounts.

Spending Policy

The Community Foundation's spending policy in connection with grantmaking funds states that annual spending, including fees, does not exceed 5.75% and 5% of the average value for the past twelve quarters as of December 31, 2010 and 2009.

On September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The legislation now influences the Spending Policy and provides discretion to the Foundation with respect to the accumulation or expenditure of amounts in the endowment funds including portions of the original dollar value of the donor's gift. NYPMIFA also includes improved documentation of investment policies and investment and spending decisions.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses amounted to \$6,085 and \$6,545 in 2010 and 2009.

Income Tax Status

The Community Foundation is a tax-exempt public charity as defined under the Internal Revenue Code Section 501(c)(3). Contributions to the Community Foundation qualify for the charitable contribution deduction under Internal Revenue Code Section 170.

Uncertain Tax Positions

Professional standards provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. In accordance with the standard, the organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts. It requires the organization to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Interest and penalties associated with any tax liabilities would be reflected as separate liabilities. For tax-exempt entities, their tax-exempt status itself is deemed to be a tax position subject to uncertainty.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management has assessed significant tax positions against the criteria established by the professional standards and believes there are no such tax positions requiring recognition or disclosure in the financial statements. Tax years for filed returns prior to 2007 are closed to examination by taxing authorities.

Wills, Trusts and Estates

The Community Foundation may be the beneficiary under various wills and trust agreements. The realizable value of these interests is not presently determinable.

Subsequent Events

The Community Foundation has evaluated events and transactions for possible disclosure and recognition occurring between December 31, 2010 and May 18, 2011, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

Fair Value Measurements

The Community Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

NOTE 3 – INVESTMENTS

Cost and fair values of investments are summarized as follows:

	2010 <u>Fair Value</u>	2010 <u>Cost</u>	2009 <u>Fair Value</u>	2009 <u>Cost</u>
Cash and cash equivalents	\$ 853,324	\$ 853,324	\$ 934,772	\$ 934,772
Government bonds	176,537	172,636	–	–
Fixed income mutual funds	1,300,861	1,143,348	1,280,169	1,095,454
Equity securities	7,583,514	5,838,602	6,671,419	5,623,971
Real estate investment trusts	323,324	263,001	382,944	306,667
Multi-asset funds	3,875,436	3,682,721	4,183,351	4,397,680
Hedge funds	<u>2,983,333</u>	<u>1,779,232</u>	<u>2,214,684</u>	<u>1,279,232</u>
Total	\$ <u>17,096,329</u>	\$ <u>13,732,864</u>	\$ <u>15,667,339</u>	\$ <u>13,637,776</u>

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

NOTE 3 – INVESTMENTS (Continued)

Hedge funds consist of a fund using an absolute return strategy with diverse, primarily short-term investments. Participating members are permitted to redeem their shares on December 31 of each year with 100 days notice after an initial one-year waiting period from the date of purchase. For 2010, a second hedge fund utilizes a multi-manager commodities trading strategy.

Investment income is recorded gross of related transaction, custody and management fees, unless they are embedded in mutual funds. The total of such fees were \$111,823 and \$92,747 as of December 31, 2010 and 2009.

NOTE 4 – FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* the Community Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis are categorized based on the inputs to the valuation techniques as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Community Foundation has the ability to access.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The classification of investments in the fair value hierarchy is not necessarily an indication of risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets recorded on the Consolidated Statements of Assets, Liabilities and Net Assets - Modified Cash Basis are categorized based on the inputs to the valuation technique as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2010</u>
Cash and cash equivalents	\$ 853,324	\$ –	\$ –	\$ 853,324
Government bonds	176,537	–	–	176,537
Fixed income mutual funds	1,300,861	–	–	1,300,861
Equity securities	7,583,514	–	–	7,583,514
Real estate investment trusts	323,324	–	–	323,324
Multi-asset funds	–	3,875,436	–	3,875,436
Hedge funds	–	–	<u>2,983,333</u>	<u>2,983,333</u>
	<u>\$ 10,237,560</u>	<u>\$ 3,875,436</u>	<u>\$ 2,983,333</u>	<u>\$ 17,096,329</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2009</u>
Cash and cash equivalents	\$ 934,772	\$ –	\$ –	\$ 934,772
Fixed income mutual funds	1,280,169	–	–	1,280,169
Equity securities	6,671,419	–	–	6,671,419
Real estate investment trusts	382,944	–	–	382,944
Multi-asset funds	–	4,183,351	–	4,183,351
Hedge fund	–	–	<u>2,214,684</u>	<u>2,214,684</u>
	<u>\$ 9,269,304</u>	<u>\$ 4,183,351</u>	<u>\$ 2,214,684</u>	<u>\$ 15,667,339</u>

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Community Foundation's financial assets for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,214,684	\$ 1,563,047
Net unrealized gain on investments	268,649	395,485
Transfers from cash and investments	<u>500,000</u>	<u>256,152</u>
Balance, end of year	<u>\$ 2,983,333</u>	<u>\$ 2,214,684</u>

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 5 – PROPERTY AND EQUIPMENT

	<u>2010</u>	<u>2009</u>
Furniture	\$ 22,001	\$ –
Equipment	<u>10,354</u>	<u>4,789</u>
	32,355	4,789
Less accumulated depreciation	<u>(5,773)</u>	<u>(4,789)</u>
Property and equipment, net	<u>\$ 26,582</u>	<u>\$ 0</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$984 and \$208.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Community Foundation maintains cash in banks in excess of coverage under the Federal Deposit Insurance Company (FDIC) in the amount of \$274,263 and \$25,181 as of December 31, 2010 and 2009. The Foundation also maintains cash and cash equivalents with brokerages comprised entirely of uninsured investment cash and cash equivalents in the amount of \$315,782 and \$409,591 as of December 31, 2010 and 2009. In total, these uninsured amounts were \$590,045 and \$434,772 as of December 31, 2010 and 2009. Uninsured balances fluctuate throughout the year in the normal course of the Foundation conducting business.

NOTE 7 – LEASE COMMITMENT

On January 1, 2007, the Community Foundation entered into a four-year lease for space for \$18,000 per year plus 50% of the increase in utilities and taxes after the first year. The landlord relieved the Community Foundation of this obligation for the last three months of 2010.

On August 31, 2010, the Community Foundation entered into a five-year lease agreement for office space beginning October 1, 2010 and ending September 30, 2015. The base annual rent is \$40,144, payable in monthly installments of \$3,345. The base annual rent can be adjusted to reflect the Foundation's proportionate share of increases in operating expenses of the building. There is a five-year renewal option available to the Foundation.

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

<u>Year ending December 31:</u>	<u>Amount</u>
2011	\$ 40,144
2012	40,144
2013	40,144
2014	40,144
2015	<u>30,108</u>
	<u>\$ 190,684</u>

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 7 – LEASE COMMITMENT (Continued)

Rent expense for the above operating leases was \$23,536 and \$18,926 for the years ended December 31, 2010 and 2009.

NOTE 8 – COMMITMENTS

In 2010 and 2009, the Community Foundation's Board awarded grants to qualifying organizations and scholarships to qualifying individuals in Broome, Chenango, Cortland, Delaware, Otsego and Tioga Counties. The unpaid portion of those grants was \$374,131 and \$174,500 as of December 31, 2010 and 2009. Future commitments are presented at actual amounts, not at their present values.

NOTE 9 – DONATED SERVICES

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the financial statements.

Board and committee members provide time and services to the Community Foundation without compensation. The services performed by these individuals are significant, however, no amounts have been included in the accompanying financial statements since they do not meet the requirements for recording such services.

NOTE 10 – FUNCTIONAL EXPENSES

For purposes of categorizing expenditures, the Community Foundation identifies two types of program services related to its exempt charitable purpose and two activities as supporting operations of the Community Foundation.

The primary program service is to make charitable and scholarship grants and to pay grant related expenses necessary to approve and administer grants. A second program involves activities designed to educate the community or the Community Foundation's staff about significant issues facing the region, or to educate the public about the charitable purpose and programs of the Community Foundation.

Supporting services include management and general expenditures for operation of the Community Foundation, compliance with laws, and stewardship of assets. Fundraising expenditures to foster donor development and receive contributions from the community are also a supporting program service.

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

NOTE 11 – UNRESTRICTED NET ASSETS

Total unrestricted net assets of the Community Foundation, in the amount of \$17,359,731 and \$15,930,386 at December 31, 2010 and 2009, are segregated into categories: special grantmaking, and the CommuniFund™. Unrestricted net assets consist of the following separately calculated groups of funds at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Scholarship funds	\$ 298,624	\$ 270,578
Designated funds	7,111,750	6,572,733
Donor advised funds	1,337,689	1,194,261
Field of interest funds	<u>1,329,868</u>	<u>1,065,691</u>
Total special grantmaking funds	10,077,931	9,103,263
CommuniFund™	7,252,299	6,701,600
Other	<u>29,501</u>	<u>125,523</u>
Total unrestricted net assets	<u>\$ 17,359,731</u>	<u>\$ 15,930,386</u>

Special grantmaking fund balances represent amounts whereby the donor contributes for a specific purpose or has an advisory role in the expenditure of the contribution or the Board of Directors has created a special purpose category for giving. However, these funds are not considered temporarily or permanently restricted because of the Community Foundation's unilateral variance power over the funds.

The CommuniFund™ includes general grantmaking funds, which consist of assets that have no special designated purpose that controls which grants are considered for approval. The total of the CommuniFund™ as of December 31, 2010 and 2009 was \$7,252,299 and \$6,701,600. The CommuniFund™ also includes funds designated by the Board of Directors for administrative purposes in the amount of \$784,338 and \$432,115 as of December 31, 2010 and 2009.

The CommuniFund™ and special grantmaking funds that are endowed and have met the minimum threshold are charged an administrative fee on a quarterly basis. These fees totaled \$267,253 and \$132,429 for the years ended December 31, 2010 and 2009 and are designated by the Board of Directors of the Community Foundation to be used for administrative purposes.

NOTE 12 – ENDOWMENTS

Net Asset Classifications

On September 17, 2010, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a form of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Immediately preceding that date, New York state law regarding endowment funds was a version of the Uniform Management of Institutional Funds Act (UMIFA). The Board of Directors and management, on the advice of legal counsel, have determined that the Foundation is subject to its governing documents and current accounting standards under FASB ASC 958-205, *Endowments of Not-for-profit Organizations: Net Assets Classification of Institutional Funds Subject to and Enacted Version of the Uniform Prudent*

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 12 – ENDOWMENTS (Continued)

Management of Institutional Funds Act, and Enhanced Disclosures for Endowment Funds, regarding endowments and net asset classifications. Normally, contributions to the Foundation are subject to the terms of the governing documents. However, certain contributions may be received subject to other gift instruments, or that are subject to specific agreements with the Foundation.

Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. This discretion is considered a unilateral variance power for accounting purposes. As a result of the ability to distribute corpus, all contributions not otherwise subject to temporary or permanent restrictions are classified as unrestricted net assets for financial statement purposes. At this time, no assets are held subject to specific temporary or permanent restrictions.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, the Foundation's investment policy 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 objective of 5% plus the Consumer Price Index within prudent risk parameters.

The spending policy calculates the amount of money distributable annually from the Foundation's various endowed funds for grantmaking. The current spending policy is to make up to 4% of the previous twelve-quarter rolling market value average available for grant distributions and 1.75% for administrative contribution fees.

Composition of endowment net assets for the year ended December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Donor-unrestricted endowment funds	\$ 9,797,416	\$ 8,832,268
Board-designated endowment funds	<u>7,252,299</u>	<u>6,701,600</u>
Total endowment funds	<u>\$ 17,049,715</u>	<u>\$ 15,533,868</u>

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 12 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Endowment net assets, beginning of year	\$ 15,533,868	\$ 12,748,638
Contributions	265,002	801,723
Investment Income	184,450	259,135
Net realized and unrealized appreciation	1,950,536	2,814,144
Amounts appropriated for expenditures (includes grants)	<u>(884,141)</u>	<u>(1,089,772)</u>
Endowment net assets, end of year	<u>\$ 17,049,715</u>	<u>\$ 15,533,868</u>

NOTE 13 – CONCENTRATION OF CONTRIBUTIONS

During 2010, the Community Foundation received 22% of contributions from two donors.

During 2009, the Community Foundation received 69% of contributions from one donor.

NOTE 14 – TAX SHELTERED ANNUITY – 403(b) PLAN

The Community Foundation maintains a tax sheltered annuity retirement plan under the Internal Revenue Code of 1986 Section 403(b) covering substantially all of its employees. Contributions are partly made by salary reductions. Corporate contributions of \$17,998 and \$19,065 were made for employees for the years ended December 31, 2010 and 2009.

NOTE 15 – RELATED PARTY

A partner of the firm providing legal services to the Community Foundation also serves on the Board of Directors of the Community Foundation. Legal fees paid by the Community Foundation were \$7,256 and \$1,564 for the years ended December 31, 2010 and 2009.