

YORK COUNTY COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009

**YORK COUNTY COMMUNITY FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
York County Community Foundation

We have audited the accompanying statement of financial position of the York County Community Foundation as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 York County Community Foundation as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Philip R. Friedman and Associates LLP

York, Pennsylvania
April 28, 2010

YORK COUNTY COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2009
(With Comparative Totals for December 31, 2008)

ASSETS	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 82,510	\$ 63,929
Investments	59,070,189	47,548,005
Contributions receivable	365,141	1,043,379
Beneficial interests in trusts	1,073,850	884,810
Cash surrender value of life insurance	126,224	72,020
Leasehold improvements and equipment (less accumulated depreciation: 2009, \$281,703; 2008, \$191,616)	<u>336,159</u>	<u>426,246</u>
	<u><u>\$61,054,073</u></u>	<u><u>\$50,038,389</u></u>
 LIABILITIES AND NET ASSETS 		
Liabilities		
Grants and fund distribution payables	\$ 69,600	\$ 211,862
Accounts payable and accrued liabilities	11,098	71,833
Liability to life income beneficiaries under split-interest agreements	3,732,421	3,142,990
Funds held as agency endowments	<u>8,050,254</u>	<u>6,440,060</u>
	<u>11,863,373</u>	<u>9,866,745</u>
 Net Assets		
Unrestricted	45,483,031	37,383,444
Temporarily restricted	2,900,918	2,102,523
Permanently restricted	<u>806,751</u>	<u>685,677</u>
	<u>49,190,700</u>	<u>40,171,644</u>
	<u><u>\$61,054,073</u></u>	<u><u>\$50,038,389</u></u>

See accompanying notes to financial statements.

YORK COUNTY COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	2009			Total	<u>2008</u> Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, Gains and Support					
Total amounts raised	\$ 1,646,294	\$ 47,645	\$ 0	\$ 1,693,939	\$ 6,043,876
Less: Amounts received as agency endowments	<u>113,782</u>	<u>0</u>	<u>0</u>	<u>113,782</u>	<u>703,503</u>
Contributions	<u>1,532,512</u>	<u>47,645</u>	<u>0</u>	<u>1,580,157</u>	<u>5,340,373</u>
Investment income	1,520,762	0	0	1,520,762	694,510
Less: Investment income for agency endowments	<u>198,703</u>	<u>0</u>	<u>0</u>	<u>198,703</u>	<u>31,745</u>
	<u>1,322,059</u>	<u>0</u>	<u>0</u>	<u>1,322,059</u>	<u>662,765</u>
Investment gains (losses)	10,014,933	0	0	10,014,933	(21,896,971)
Less: Investment gains (losses) for agency endowments	<u>1,599,643</u>	<u>0</u>	<u>0</u>	<u>1,599,643</u>	<u>(3,580,248)</u>
	<u>8,415,290</u>	<u>0</u>	<u>0</u>	<u>8,415,290</u>	<u>(18,316,723)</u>
Change in value of split-interest agreements	(91,089)	799,056	0	707,967	(1,297,891)
Gains (losses) from beneficial interest in trusts	32,775	0	121,074	153,849	(376,075)
Other income	22,997	0	0	22,997	19,658
Net assets released from restrictions	<u>48,306</u>	<u>(48,306)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>12,989</u>	<u>750,750</u>	<u>121,074</u>	<u>884,813</u>	<u>(1,654,308)</u>
	<u>11,282,850</u>	<u>798,395</u>	<u>121,074</u>	<u>12,202,319</u>	<u>(13,967,893)</u>
Expenses					
Program Services					
Distributions from funds	2,385,942	0	0	2,385,942	4,319,896
Less: Distributions from agency endowments	<u>301,934</u>	<u>0</u>	<u>0</u>	<u>301,934</u>	<u>370,037</u>
Grant distributions	<u>2,084,008</u>	<u>0</u>	<u>0</u>	<u>2,084,008</u>	<u>3,949,859</u>
Charitable programs	<u>408,345</u>	<u>0</u>	<u>0</u>	<u>408,345</u>	<u>427,775</u>
Total program services	<u>2,492,353</u>	<u>0</u>	<u>0</u>	<u>2,492,353</u>	<u>4,377,634</u>
Administrative	489,789	0	0	489,789	470,614
Development	<u>201,121</u>	<u>0</u>	<u>0</u>	<u>201,121</u>	<u>240,244</u>
	<u>3,183,263</u>	<u>0</u>	<u>0</u>	<u>3,183,263</u>	<u>5,088,492</u>
Change in net assets	8,099,587	798,395	121,074	9,019,056	(19,056,385)
Net assets - beginning of year	<u>37,383,444</u>	<u>2,102,523</u>	<u>685,677</u>	<u>40,171,644</u>	<u>59,228,029</u>
Net assets - end of year	<u>\$ 45,483,031</u>	<u>\$ 2,900,918</u>	<u>\$ 806,751</u>	<u>\$ 49,190,700</u>	<u>\$ 40,171,644</u>

See accompanying notes to financial statements.

YORK COUNTY COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009
(With Comparative Totals for December 31, 2008)

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 9,019,056	\$(19,056,385)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	90,087	92,490
Net unrealized and realized investment (gains) losses	(10,014,933)	21,896,971
Non-cash contributions	(210,634)	(2,158,279)
Increase in cash surrender value of life insurance	(54,204)	(1,037)
Changes in operating assets and liabilities:		
Contributions receivable	678,238	320,733
Beneficial interests in trusts	(189,040)	452,421
Accounts payable and accrued liabilities	(60,735)	22,814
Grants payable	(142,262)	9,348
Life income beneficiaries payable	589,431	(1,543,196)
Funds held as agency endowments	<u>1,610,194</u>	<u>(3,215,036)</u>
Net cash provided (used) by operating activities	<u>1,315,198</u>	<u>(3,179,156)</u>
Cash Flows from Investing Activities		
Purchase of investments	(15,189,541)	(13,235,441)
Proceeds from sale of investments	13,916,835	13,820,620
Capital expenditures	<u>0</u>	<u>(8,098)</u>
Net cash provided (used) by investing activities	<u>(1,272,706)</u>	<u>577,081</u>
Increase (decrease) in cash and cash equivalents	42,492	(2,602,075)
Cash and cash equivalents at beginning of year	<u>2,293,260</u>	<u>4,895,335</u>
Cash and cash equivalents at end of year	<u>\$ 2,335,752</u>	<u>\$ 2,293,260</u>

See accompanying notes to financial statements.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The York County Community Foundation (the "Foundation") is a community foundation. Under Internal Revenue Code Sections 501(c) (3), 170(b) (1) (A) (vi) and Section 509(a), it is a public support charitable organization, gifts to which are deductible for tax purposes. The accompanying financial statements of the Foundation have been prepared in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

The financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recorded as revenue when an unconditional promise to give is received. Contributions subject to conditions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable. Contributions are recorded at fair value at the date of donation. Contributions receivable are recorded at the present value of expected net proceeds ultimately payable to the Foundation. Contributions with donor-imposed restrictions that are met in the same year as received are reported as unrestricted.

Grants

The Foundation records grants when all conditions stipulated by the grant have been substantially met. Grant cancellations and refunds of paid grants are recorded as they occur. Direct charitable service program expenses are recorded as incurred.

Net Asset Classification

All contributions, including those with donor-imposed restrictions, are subject to the variance power of the Foundation as established in its governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of the variance power, most contributions are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted net assets are comprised of irrevocable charitable trusts and contributions with restrictions that will expire when stipulated time restrictions end or purpose restrictions are fulfilled. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Asset Classification (Continued)

Permanently restricted net assets represent contributions which are subject to donor-imposed stipulations which restrict spendability. Permanently restricted net assets are comprised of interest in perpetual trusts held by a third party.

Cash Equivalents

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

Investments and Fair Value

The goal of the Foundation is to invest its assets in a manner that will preserve and enhance the real value of the assets over time. The investment policy strives to achieve a total rate of return sufficient to replace the assets spent for grants and expenses and recoup any value lost due to inflation. To minimize risk, the Foundation diversifies its investments among various financial instruments and asset categories and uses multiple managers. The Foundation's portfolios are managed by outside investment managers who invest according to the investment guidelines established by the Investment Committee and approved by the Board of Directors.

Dividend and interest income is accrued as such income is earned.

The *Fair Value Measurements and Disclosures* topic of FASB ASC established a framework to measure fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Beneficial Interests in Trusts

Beneficial interests in trusts consist of beneficial interests in charitable remainder trusts and beneficial interests in perpetual trusts.

For beneficial interests in charitable remainder trusts, donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the Foundation receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in net assets of the trusts are recorded as gains or losses (change in value of trusts) in the statement of activities. Net assets and changes in the net assets are recorded as temporarily restricted.

For beneficial interests in perpetual trusts, the Foundation is the beneficiary of several perpetual trusts held by a third party. Under the terms of the trusts, the Foundation has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interests in perpetual trusts are recorded at fair value. Changes in net assets of trusts are recorded as gain or losses (change in value of trusts) on the statement of activities. Net assets and changes in the net assets are recorded as permanently restricted. Distributions received from these trusts are recorded as unrestricted investment income.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Life Income Beneficiaries Payable

The Foundation acts as trustee for certain charitable remainder unitrusts. The Foundation is also an issuer of charitable gift annuities. The net present value of the anticipated benefit to be received from these agreements is recorded as contribution revenue in the year the agreement is created. The present value of the estimated future payments to be distributed during the beneficiary's expected life is recorded as a liability.

The Foundation also maintains a pooled income fund. Contributed assets are recognized when received and contribution revenues are discounted for the donors' life expectancies. The difference between the fair value of the assets when received and the revenue recognized is recorded as deferred revenue, representing the amount of the discount for future interest. Income on the fund is recorded as a liability.

As required distributions are made to these beneficiaries, the liabilities are reduced. Adjustments to the liabilities to reflect amortization of the discount, reevaluations of the present value of the estimated future payments and changes in actuarial assumptions are recognized in the statement of activities as a change in the value of split-interest agreements.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a tax exempt organization. Accordingly, no provision for federal or state income taxes is required. The Foundation evaluates its uncertain tax positions in accordance with FASB ASC *Contingency* topic. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. At December 31, 2009 and 2008, the foundation had no uncertain tax positions requiring accrual.

Reclassifications

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

Subsequent Events

Management of the Foundation has evaluated all subsequent events through the auditors' report date which is the date financial statements were available to be issued.

Note 2 - Prior-Year Summarized 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<u>2009</u>	<u>2008</u>
Cash	\$ 82,510	\$ 63,929
Cash equivalents shown as investments	<u>2,253,242</u>	<u>2,229,331</u>
	<u>\$2,335,752</u>	<u>\$2,293,260</u>

Note 4 - Contributions Receivable

Unconditional promises to give resulting from various campaigns are as follows:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 128,644	\$ 735,291
Receivable in one to five years	192,112	240,100
Receivable in more than five years	<u>92,218</u>	<u>139,827</u>
Total unconditional promises to give	412,974	1,115,218
Less: discount to net present value	<u>(47,833)</u>	<u>(71,839)</u>
	<u>\$ 365,141</u>	<u>\$ 1,043,379</u>

Note 5 - Investments and Fair Value Disclosures

Investments are at fair value and consist of the following as of December 31:

	<u>2009</u>	<u>2008</u>
Cash equivalents	\$ 2,253,242	\$ 2,229,331
Bonds, notes and fixed income funds	14,372,850	11,841,371
Equity securities	33,715,110	26,608,702
Alternative investments	<u>8,728,987</u>	<u>6,868,601</u>
	<u>\$59,070,189</u>	<u>\$47,548,005</u>

Investment income on the statement of activities is reported net of manager, consultant and custodian fees of \$415,809 and \$360,817 for the years ended 2009 and 2008, respectively.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Investments and Fair Value Disclosures (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at the net asset value (NAV) of shares held by the Foundation at year end.

The fair value of the common/collective trust is based on the Foundation's interest in the market value of the trust.

Nonmarketable securities include alternative investments such as hedge funds and real estate and are valued using the NAV of the fund obtained from the general partner or investment manager. Substantially all the underlying investments are marked to market, with the general partner reserving the right to make adjustments to such valuations or approve the use of certain estimates if deemed necessary to reflect the appropriate estimated fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Investments and Fair Value Disclosures (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2009.

<u>Description</u>	<u>2009</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 59,070,189</u>	<u>\$ 51,632,248</u>	<u>\$ 1,739,143</u>	<u>\$ 5,698,798</u>

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, a reconciliation of the beginning and ending balances is required as follows:

	<u>Fair Value Measurements Using Significant Unobservable Inputs</u>
Beginning balance	\$ 5,079,472
Total gains or losses (realized/unrealized) included in changes in net assets	<u>619,326</u>
Ending balance	<u>\$ 5,698,798</u>

The following table set forth by level, within the fair value hierarchy, the Foundation's beneficial interests in trusts at fair value as of December 31, 2009.

<u>Description</u>	<u>2009</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interests in charitable remainder trusts	\$ 267,099	\$ 0	\$ 0	\$ 267,099
Beneficial interests in perpetual trusts	<u>806,751</u>	<u>0</u>	<u>0</u>	<u>806,751</u>
	<u>\$ 1,073,850</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,073,850</u>

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Investments and Fair Value Disclosures (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's contributions receivable at fair value as of December 31, 2009.

<u>Description</u>	<u>2009</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices Active Markets Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Contributions receivable	<u>\$ 365,141</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 365,141</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's liabilities to life income beneficiaries under split-interest agreements at fair value as of December 31, 2009.

<u>Description</u>	<u>2009</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices Active Markets Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Liabilities to life income under split-interest agreements	<u>\$(3,732,421)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,732,421)</u>

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Investments and Fair Value Disclosures (Continued)

The following table includes a reconciliation of the beginning and ending balances as required for the above measurements.

	<u>Fair Value Measurements Using Significant Unobservable Inputs</u>
Beneficial Interests in Trusts	
Beginning balance	\$ 884,810
Change in value of trusts	67,966
Change in beneficial interest in trusts	<u>121,074</u>
Ending balance	<u><u>\$ 1,073,850</u></u>
 Contributions Receivable	
Beginning balance	\$ 1,043,379
Receipts of contributions receivable	(682,917)
Discount, net effect	<u>4,679</u>
Ending balance	<u><u>\$ 365,141</u></u>
 Liabilities to Life Income Beneficiaries	
Beginning balance	\$ (3,142,990)
Payments during 2009	301,158
Gifts during 2009	(14,749)
Maturities during 2009	8,143
Decrease in value due to change in present value calculations	417,634
Increase in value in estimated fair value of underlying assets	<u>(1,301,617)</u>
Ending balance	<u><u>\$ (3,732,421)</u></u>

Note 6 - Line of Credit

The Foundation has a \$250,000 unsecured line of credit which is renewable annually. The interest rate is The Wall Street Journal prime rate but no less than 4.00%. There were no borrowings under this credit facility at or during the year ended 2009.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 7 - Grants and Fund Distributions

Grants and fund distributions approved and paid in 2009 and those committed for future payments consisted of the following at December 31, 2009:

	<u>Grants</u>	<u>Distributions from Agency Endowments</u>	<u>Total</u>
Payable December 31, 2008	\$ 56,953	\$ 154,909	\$ 211,862
2009 grants approved	2,084,008	301,934	2,385,942
2009 grants paid	<u>(2,071,361)</u>	<u>(456,843)</u>	<u>(2,528,204)</u>
Payable December 31, 2009	<u>\$ 69,600</u>	<u>\$ 0</u>	<u>\$ 69,600</u>

Grants and distributions from agency endowments are payable in 2010.

Note 8 - Funds Held as Agency Endowments

The Foundation maintains variance power and legal ownership of organization endowment funds, and as such, continues to report the funds as assets of the Foundation. However, in accordance with the *Not-for-Profit Entities* topic of the FASB ASC, a liability has been established as funds held as agency endowments, which is equivalent to the funds' current fair market value.

	<u>2009</u>	<u>2008</u>
Net assets at end of year	\$8,050,254	\$6,440,060
Grants payable	<u>0</u>	<u>154,909</u>
Organization endowment funds held for others	<u>\$8,050,254</u>	<u>\$6,594,969</u>

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 9 - Retirement Plan

The Foundation maintains a 403(b) (7) tax-deferred retirement plan that covers employees who meet certain eligibility requirements. The Foundation's contributions to the plan are comprised of a matching contribution equal to 100% of an employee's contribution, not to exceed 5% of an employee's compensation. Participants may make voluntary contributions to the plan up to Internal Revenue Service guideline amounts. Employer contributions to the plan were \$18,731 and \$21,117 for 2009 and 2008, respectively.

Note 10 - Operating Lease

The Foundation has a lease agreement for office space. Renovations to the expanded space are capitalized as leasehold improvements. Rent expense under the lease for the year ended 2009 and 2008 was \$27,245 and \$26,260, respectively. The Foundation has the option to renew the lease for four additional terms, through 2013.

Note 11 - Concentration of Credit Risk

In the normal course of business, the Foundation has cash deposits in a financial institution in excess of the amount insured by agencies of the federal government. Management has not experienced any losses in such accounts and believes it is not exposed to a significant credit risk.

**YORK COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 12 - Pennsylvania Educational Improvement Tax Credit

York County Community Foundation was approved by the Pennsylvania Department of Community and Economic Development as a qualifying scholarship organization under the Educational Improvement Tax Credit. Qualifying businesses may receive tax credits of 75% or 90% of their contributions to the scholarship program, up to \$200,000 annually. Program activity for the year ended December 31, 2009 follows:

Balance - beginning of year		\$ 8,233
Contributions under tax credit		101,902
Scholarship program grants	\$22,483	
Administration	<u>5,095</u>	
		<u>27,578</u>
Balance - end of year		<u><u>\$ 82,557</u></u>