

**York County Community Foundation**

**Financial Statements**

**December 31, 2010**

York County Community Foundation

Financial Statements

December 31, 2010

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## Independent Auditors' Report on the Financial Statements

Board of Directors  
York County Community Foundation  
York, PA

We have audited the accompanying statement of financial position of the York County Community 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's summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated April 28, 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 York County Community Foundation as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Reinsel Kuntz Lesher LLP*

May 4, 2011

York County Community Foundation

Statement of Financial Position  
(With Comparative Totals for December 31, 2009)

	DECEMBER 31,	
<b>Assets</b>	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Cash	\$ 87,087	\$ 82,510
Investments	64,773,459	59,070,189
Contributions receivable	287,624	365,141
Beneficial interests in trusts	1,143,915	1,073,850
Cash surrender value of life insurance	147,507	126,224
Leasehold improvements and equipment (less accumulated depreciation: \$363,298 in 2010 and \$281,703 in 2009)	<u>249,181</u>	<u>336,159</u>
	<u><u>\$ 66,688,773</u></u>	<u><u>\$ 61,054,073</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Grants and fund distribution payables	\$ 10,000	\$ 69,600
Accounts payable and accrued liabilities	19,698	11,098
Liability to life income beneficiaries under split-interest agreements	3,609,893	3,732,421
Funds held as agency endowments	<u>8,910,044</u>	<u>8,050,254</u>
	<u>12,549,635</u>	<u>11,863,373</u>
 <b>Net Assets</b>		
Unrestricted	50,338,730	45,483,031
Temporarily restricted	2,958,383	2,900,918
Permanently restricted	<u>842,025</u>	<u>806,751</u>
	<u>54,139,138</u>	<u>49,190,700</u>
	<u><u>\$ 66,688,773</u></u>	<u><u>\$ 61,054,073</u></u>

See accompanying notes to the financial statements.

York County Community Foundation  
Statement of Activities  
(With Comparative Totals for December 31, 2009)

	YEAR ENDED DECEMBER 31,			2009	
	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenues, Gains and Support</b>					
Total amounts raised	\$ 2,325,047	\$ 26,925	\$ -	\$ 2,351,972	\$ 1,693,939
Less: Amounts received as agency endowments	169,890	-	-	169,890	113,782
<b>Contributions</b>	<b>2,155,157</b>	<b>26,925</b>	<b>-</b>	<b>2,182,082</b>	1,580,157
Investment income	1,439,844	-	-	1,439,844	1,520,762
Less: Investment income for agency endowments	121,946	-	-	121,946	198,703
	<b>1,317,898</b>	<b>-</b>	<b>-</b>	<b>1,317,898</b>	1,322,059
Investment gains	5,569,638	-	-	5,569,638	10,014,933
Less: Investment gain for agency endowments	878,968	-	-	878,968	1,599,643
	<b>4,690,670</b>	<b>-</b>	<b>-</b>	<b>4,690,670</b>	8,415,290
Change in value of split-interest agreements	(47,445)	501,673	-	454,228	707,967
Gains from beneficial interest in trusts	-	-	35,274	35,274	153,849
Other income	23,406	-	-	23,406	22,997
Net assets released from restrictions	471,133	(471,133)	-	-	-
	<b>447,094</b>	<b>30,540</b>	<b>35,274</b>	<b>512,908</b>	884,813
	<b>8,610,819</b>	<b>57,465</b>	<b>35,274</b>	<b>8,703,558</b>	12,202,319
<b>Expenses</b>					
<b>Program Services</b>					
Distributions from funds	3,010,306	-	-	3,010,306	2,385,942
Less: Distributions from agency endowments	311,015	-	-	311,015	301,934
<b>Grant Distributions</b>	<b>2,699,291</b>	<b>-</b>	<b>-</b>	<b>2,699,291</b>	2,084,008
Charitable programs	356,269	-	-	356,269	408,345
<b>Total Program Services</b>	<b>3,055,560</b>	<b>-</b>	<b>-</b>	<b>3,055,560</b>	2,492,353
<b>Administrative Development</b>	<b>448,101</b>	<b>-</b>	<b>-</b>	<b>448,101</b>	489,789
	251,459	-	-	251,459	201,121
	<b>3,755,120</b>	<b>-</b>	<b>-</b>	<b>3,755,120</b>	3,183,263
<b>Change in Net Assets</b>	<b>4,855,699</b>	<b>57,465</b>	<b>35,274</b>	<b>4,948,438</b>	9,019,056
Net Assets - Beginning of Year	45,483,031	2,900,918	806,751	49,190,700	40,171,644
<b>Net Assets - End of Year</b>	<b>\$50,338,730</b>	<b>\$ 2,958,383</b>	<b>\$ 842,025</b>	<b>\$54,139,138</b>	<b>\$49,190,700</b>

See accompanying notes to the financial statements.

# York County Community Foundation

## Statement of Cash Flows

(With Comparative Totals for December 31, 2009)

	YEAR ENDED DECEMBER 31,	
	2010	2009
<b>Cash Flows from Operating Activities</b>		
Change in net assets	<b>\$ 4,948,438</b>	\$ 9,019,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	<b>88,344</b>	90,087
Net unrealized and realized investment gains	<b>(5,569,638)</b>	(10,014,933)
Non-cash contributions	<b>(122,171)</b>	(210,634)
Increase in cash surrender value of life insurance	<b>(21,283)</b>	(54,204)
Changes in operating assets and liabilities:		
Contributions receivable	<b>77,517</b>	678,238
Beneficial interests in trusts	<b>(70,065)</b>	(189,040)
Accounts payable and accrued liabilities	<b>8,600</b>	(60,735)
Grants payable	<b>(59,600)</b>	(142,262)
Life income beneficiaries payable	<b>(122,528)</b>	589,431
Funds held as agency endowments	<b>859,790</b>	1,610,194
	<b>17,404</b>	1,315,198
<b>Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	<b>(22,264,610)</b>	(15,189,541)
Proceeds from sale of investments	<b>22,253,685</b>	13,916,835
Capital expenditures	<b>(1,366)</b>	-
	<b>(12,291)</b>	(1,272,706)
<b>Net Cash Used by Investing Activities</b>		
<b>Increase in Cash and Cash Equivalents</b>	<b>5,113</b>	42,492
Cash and Cash Equivalents at Beginning of Year	<b>2,335,752</b>	2,293,260
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,340,865</b>	\$ 2,335,752

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.

#### **Basis of Presentation**

The Foundation utilizes the accrual method of accounting and 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 accounting principles generally accepted in the United States of America 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.

#### **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.

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.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Cash Equivalents**

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

### **Investments**

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.

### **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.

### **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.

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.

The Foundation also maintained a pooled income fund. Contributed assets were recognized when received and contribution revenues were discounted for the donors' life expectancies. The difference between the fair value of the assets when received and the revenue recognized was recorded as deferred revenue, representing the amount of the discount for future interest. Income on the fund is recorded as a liability. The pooled income fund was terminated as of December 31, 2010.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Income Taxes

The Foundation adopted ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Management has determined that the adoption of ASC 740 did not have a material effect on the financial statements.

### Functional Allocation of Expenses

Functional expenses are charged directly to program, management and general, and fundraising expenses in general categories based on specific identification.

### Subsequent Events

Management of the Foundation has evaluated all subsequent events through May 4, 2011. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2010 were noted.

## 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 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.

## Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<u>2010</u>	<u>2009</u>
Cash	\$ 87,087	\$ 82,510
Cash equivalents shown as investments	<u>2,253,778</u>	<u>2,253,242</u>
Total	<u>\$ 2,340,865</u>	<u>\$ 2,335,752</u>

#### Note 4 - Contributions Receivable

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

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 128,800	\$ 128,644
Receivable in one to five years	133,795	192,112
Receivable in more than five years	<u>58,360</u>	<u>92,218</u>
Total unconditional promises to give	320,955	412,974
Less: Discount to net present value	<u>33,331</u>	<u>47,833</u>
	<u>\$ 287,624</u>	<u>\$ 365,141</u>

#### Note 5 - Investments

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

	<u>2010</u>	<u>2009</u>
Cash equivalents	\$ 2,253,778	\$ 2,253,242
Bonds, notes and fixed income funds	15,766,259	14,372,850
Equity securities	38,367,613	33,715,110
Alternative investments	<u>8,385,809</u>	<u>8,728,987</u>
	<u>\$ 64,773,459</u>	<u>\$ 59,070,189</u>

Investment income on the statement of activities is reported net of manager, consultant and custodian fees of \$414,634 and \$415,809 for the years ended 2010 and 2009, respectively.

Equities include stocks and equity-based mutual funds. Fixed income includes bonds, fixed income investments, and fixed income-based mutual funds.

#### Note 6 - Alternative Investments

The Foundation invests in hedged fund of funds and other alternative investments to further diversify its investment portfolio. These funds (primarily the Federal Street Offshore Fund and the Lighthouse Diversified Limited Class A Fund and Optima Fund Limited) have investments in certain securities, limited partnerships, real estate, and other investment funds for which market values may not be readily available. Such investments have been valued in accordance with the following valuation policy: equity securities are valued at the last sale price; unlisted securities are valued at the current bid price obtained from reputable brokers; fixed income securities are generally valued by reference to outside pricing services or at closing market prices supplied by brokers considered to be active in the market; investments maturing within 60 days of the issue date are valued at amortized cost, which approximates market value; short sales are generally valued at the last close or sales price; and written and purchase options are generally valued at the last sales price. Investments in limited partnerships and other investment funds are valued at fair value which is generally the latest net asset value made available by the fund manager or administrator prior to the valuation date.

## **Note 6 - Alternative Investments (continued)**

The funds held certain investments which may be valued by a single market maker. The estimated values may differ significantly from the values that would have been used had a ready market for the investment existed; they may have been affected by the decline in liquidity and prices of investments and real estate or by the lack of observable transaction data and inputs in certain transactions. Actual results could differ from those estimates, and the difference could be material. Additionally, certain investments in limited partnerships, investments funds and other debt instruments may be restricted as to resale or may require advance notice of redemption or withdrawal.

Risks arise from changes in the value of the transactions, contracts, and agreements and the potential inability of the funds to timely liquidate individual funds or real estate in the portfolio. There are numerous factors which may significantly influence the market value of these contracts and agreements, including interest rate volatility and currency and future adverse political and economic developments involving investments in foreign companies. These factors were considered by the Foundation prior to making this investment and it was determined the investment would be beneficial to leverage risk in other areas of the investment portfolio.

### **Beneficial Interests in Perpetual Trusts**

Additionally, certain of the Foundation's beneficial interests in perpetual trusts were invested in assets whose fair value was determined using net asset value of the respective fund's investments. Although the investments in these Investment Funds are exclusively identified as Level 3 in accordance with ASC 820, the underlying holdings of the Investments Funds are comprised of a combination of Level 1, 2, and 3 securities. The Investments Fund reports the net asset value of the Fund's investment to the Fund on a periodic basis. This net asset value is not necessarily the fair value of the Fund's investment. The Fund's Sub-Investment Advisor performs comprehensive due diligence procedures in order to analyze various factors that may cause the fair value to be above or below the net asset value reported by the Investment Fund. If management is unable to obtain confidence in the reported net asset values, management may determine and implement an alternative method of valuation.

## **Note 7 - Fair Value of Financial Instruments**

Effective for the year ended December 31, 2010, the Foundation adopted Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*. This new accounting guidance under ASC 820, *Fair Value Measurements and Disclosures*, was issued by the FASB on January 21, 2010. The additional disclosures required about fair value measurements include, among other things, (a) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (b) the gross, rather than the net, basis for certain Level 3 roll-forward information, (c) use of a "class" basis rather than a "major category" basis for assets and liabilities, and (d) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The adoption of this guidance did not have a material impact on the Foundation's financial statements.

## Note 7 - Fair Value of Financial Instruments (continued)

FASB ASC 820 established a framework for measuring fair value. That 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 three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2010 and 2009.

Cash equivalents: these assets have liquidity available within 90 days or less from initial purchase date and therefore do not need to be marked to market.

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

Contributions receivable: carrying value, which approximates fair value, is based on the face amount of the gift, time remaining to maturity, and the interest rate applicable to determine the net present value of the receivable at year-end.

Beneficial interests held in trusts: valued at quoted price of assets contained in trusts at year-end. Control of the assets is held by the Trustee, not the Foundation.

Alternative investments: 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.

Liabilities to life income beneficiaries under split-interest agreements: Carrying value, which approximates fair value, of obligations of charitable gift annuities and charitable remainder trusts is based on the life expectancies of the beneficiaries, mortality tables, and interest rates imputed at the inception date of the obligations.

## Note 7 - Fair Value of Financial Instruments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value at time of sale or maturity 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of December 31, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b>Investments:</b>				
Cash equivalents	\$ 2,253,778	\$ -	\$ -	\$ 2,253,778
<b>Mutual Funds:</b>				
Fixed income funds	15,766,259	-	-	15,766,259
Domestic stock funds	25,673,536	-	-	25,673,536
International stock funds	12,694,077	-	-	12,694,077
<b>Total Mutual Funds</b>	<u>54,133,872</u>	<u>-</u>	<u>-</u>	<u>54,133,872</u>
<b>Alternative Investments:</b>				
Hedge funds	-	-	5,496,537	5,496,537
Low volatility fund	2,350,576	-	-	2,350,576
Commodity fund	310,797	-	-	310,797
Real estate fund	177,899	-	-	177,899
Other	-	-	50,000	50,000
<b>Total Alternative Investments</b>	<u>2,839,272</u>	<u>-</u>	<u>5,546,537</u>	<u>8,385,809</u>
<b>Total Investments</b>	<u>\$ 59,226,922</u>	<u>\$ -</u>	<u>\$ 5,546,537</u>	<u>\$ 64,773,459</u>
Beneficial interests in charitable remainder trusts	\$ -	\$ -	\$ 301,890	\$ 301,890
Beneficial interests in perpetual trusts	-	-	842,025	842,025
<b>Total Beneficial Interest in Trusts</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,143,915</u>	<u>\$ 1,143,915</u>
<b>Contribution receivable</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,624</u>	<u>\$ 287,624</u>
<b>Liabilities</b>				
<b>Liabilities to Life Income Beneficiaries Under Split-Interest Agreements</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,609,893)</u>	<u>\$ (3,609,893)</u>

## Note 7 - Fair Value of Financial Instruments (continued)

For investments 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:

	<b>Fair Value Measurements Using Significant Unobservable Inputs</b>
<b>Investments</b>	
Beginning balance	\$ 5,698,798
Purchases	92,689
Sales	(472,506)
Total gains or losses (realized/unrealized) included in changes in net assets	<u>227,556</u>
<b>Ending balance</b>	<u><u>\$ 5,546,537</u></u>
<b>Beneficial Interests in Trusts</b>	
Beginning balance	\$ 1,073,850
Change in value of trusts	34,791
Change in beneficial interest in trusts	<u>35,274</u>
<b>Ending balance</b>	<u><u>\$ 1,143,915</u></u>
<b>Contributions Receivable</b>	
Beginning balance	\$ 365,141
Receipts of contributions receivable	(92,991)
Discount, net effect	<u>15,474</u>
<b>Ending balance</b>	<u><u>\$ 287,624</u></u>
<b>Liabilities to Life Income Beneficiaries</b>	
Beginning balance	\$ (3,732,421)
Payments during 2010	379,065
Gifts during 2010	-
Maturities during 2010	188,443
Decrease in value due to change in present value calculations	232,030
Increase in value in estimated fair value of underlying assets	<u>(677,010)</u>
<b>Ending balance</b>	<u><u>\$ (3,609,893)</u></u>

The carrying amounts of cash, accounts payable and accrued expenses, and grants payable in the accompanying balance sheet, approximate fair value given the short-term nature of these financial instruments.

## Note 8 - 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 2010. The line was closed in 2011.

## Note 9 - Grants and Fund Distributions

Grants and fund distributions approved and paid in 2010 and those committed for future payments consisted of the following at December 31, 2010:

	Grants	Distributions from Agency Endowments	Total
Payable December 31, 2009	\$ 69,600	\$ -	\$ 69,600
2010 grants approved	2,699,291	311,015	3,010,306
2010 grants paid	<u>(2,758,891)</u>	<u>(311,015)</u>	<u>(3,069,906)</u>
Payable December 31, 2010	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>

Grants and distributions from agency endowments are payable in 2011.

## Note 10 - 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>2010</u>	<u>2009</u>
Net assets at end of year	<b>\$ 8,910,044</b>	\$ 8,050,254
Grants payable	<u>-</u>	<u>-</u>
<b>Organization endowment funds held for others</b>	<b><u>\$ 8,910,044</u></b>	<b><u>\$ 8,050,254</u></b>

## Note 11 - 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 \$18,539 and \$18,731 for 2010 and 2009, respectively.

## Note 12 - 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 2010 and 2009 was \$28,312 and \$27,245, respectively. The Foundation has the option to renew the lease for three additional terms, through 2013.

**Note 13 - 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. The Foundation's investments are subject to fluctuations in the fair values of these investments. As a result of fluctuations, net assets may be impacted by the changes in general economic conditions.

**Note 14 - 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, 2010 follows:

Balance - Beginning of Year		\$	82,557
Contributions under tax credit			66,302
Scholarship program grants	\$	145,544	
Administration		<u>3,315</u>	
			<u>148,859</u>
Balance - End of Year		\$	<u><u>-</u></u>