

**COMMUNITY FOUNDATION OF  
BURKE COUNTY, INC.**

Morganton, North Carolina

Financial Statements and  
Additional Information

Year Ended December 31, 2010

**COMMUNITY FOUNDATION OF BURKE COUNTY, INC.**

**OFFICERS**

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Doris L. Fullwood  
Edward D. Wall  
James E. Lowdermilk

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Vice-President  
Secretary  
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Caroline M. Avery

**COMMUNITY FOUNDATION OF BURKE COUNTY, INC.**

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The Drhumor Building  
48 Patton Avenue, Suite 400  
Asheville, North Carolina 28801  
Phone: 828-259-9900  
FAX: 828-258-2790  
www.prcpas.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Community Foundation of Burke County, Inc.  
Morganton, North Carolina

We have audited the accompanying statement of financial position of Community Foundation of Burke County, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, 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 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 Community Foundation of Burke County, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Community Foundation of Burke County, Inc. taken as a whole. The schedule of gifts for charitable purposes is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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 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 basic financial statements as a whole.

**Painter, Russell & Associates, PLLC**

Asheville, North Carolina  
April 26, 2011

**COMMUNITY FOUNDATION OF BURKE COUNTY, INC.**

Statement of Financial Position  
December 31, 2010  
(With Comparative Totals for 2009)

<b>Assets</b>	<u>2010</u>	<u>2009</u>
Current assets		
Cash and equivalents	\$ 1,014,421	\$ 1,068,225
Promises to give, current	39,835	7,075
Other receivables	<u>4,074</u>	<u>78</u>
Total current assets	1,058,330	1,075,378
Promises to give, non-current	38,904	
Investments	10,755,058	9,553,333
Land held-for-investment	11,336	11,336
Property and equipment	<u>2,212</u>	<u>6,167</u>
Total assets	<u>\$ 11,865,840</u>	<u>\$ 10,646,214</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 338	\$ 1,966
Grants payable	<u>8,223</u>	<u>7,750</u>
Total current liabilities	<u>8,561</u>	<u>9,716</u>
Net assets		
Unrestricted		
Discretionary	196,843	227,793
Board designated	132,665	125,523
Donor advised	<u>369,157</u>	<u>305,145</u>
Total unrestricted	698,665	658,461
Temporarily restricted	11,088,614	9,908,037
Permanently restricted	<u>70,000</u>	<u>70,000</u>
Total net assets	<u>11,857,279</u>	<u>10,636,498</u>
Total liabilities and net assets	<u>\$ 11,865,840</u>	<u>\$ 10,646,214</u>

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

**COMMUNITY FOUNDATION OF BURKE COUNTY, INC.**

Statement of Activities  
Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b>Revenues and other support:</b>					
Contributions	\$ 272,933	\$ 539,304	\$	\$ 812,237	\$ 1,153,467
Investment income	6,154	233,178		239,332	231,756
Net realized and unrealized gains on investments	11,940	990,920		1,002,860	1,417,658
In-kind contributions	13,574			13,574	13,574
Net assets released from restrictions	<u>582,825</u>	<u>(582,825)</u>			
Total revenues and other support	<u>887,426</u>	<u>1,180,577</u>		<u>2,068,003</u>	<u>2,816,455</u>
<b>Expenses:</b>					
Program services	765,638			765,638	664,681
Management and general	74,584			74,584	74,699
Pledge cancellations	<u>7,000</u>			<u>7,000</u>	
Total expenses	<u>847,222</u>			<u>847,222</u>	<u>739,380</u>
Increase (decrease) in net assets	40,204	1,180,577		1,220,781	2,077,075
Net assets at beginning of year	<u>658,461</u>	<u>9,908,037</u>	<u>70,000</u>	<u>10,636,498</u>	<u>8,559,423</u>
Net assets at end of year	<u>\$ 698,665</u>	<u>\$ 11,088,614</u>	<u>\$ 70,000</u>	<u>\$ 11,857,279</u>	<u>\$ 10,636,498</u>

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

**COMMUNITY FOUNDATION OF BURKE COUNTY, INC.**

Statement of Functional Expenses  
Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>2010 Total</u>	<u>2009 Total</u>
Salaries	\$ 36,720	\$ 36,720	\$ 73,440	\$ 73,440
Payroll taxes	2,809	2,809	5,618	5,618
Employee benefits	<u>3,394</u>	<u>3,395</u>	<u>6,789</u>	<u>6,789</u>
Total salaries and related expenses	42,923	42,924	85,847	85,847
Gifts for charitable purposes	612,404		612,404	521,344
Rent	6,787	6,787	13,574	13,574
Advertising	1,533	1,534	3,067	1,389
Office expense	4,250	4,250	8,500	8,410
Insurance	567	566	1,133	1,258
Postage	782	782	1,564	1,588
Telephone	1,663	1,663	3,326	3,718
Professional services	6,098	6,099	12,197	11,721
Travel and training	746	746	1,492	2,015
Printing and publications	3,976	3,976	7,952	9,387
Dues and subscriptions	1,178	1,177	2,355	2,040
Repairs	822	823	1,645	1,615
Meals and entertainment	719	719	1,438	517
Investment management fees	78,653		78,653	68,629
Miscellaneous	<u>560</u>	<u>560</u>	<u>1,120</u>	<u>1,473</u>
Total expenses before depreciation	763,661	72,606	836,267	734,525
Depreciation	<u>1,977</u>	<u>1,978</u>	<u>3,955</u>	<u>4,855</u>
Total expenses	<u>\$ 765,638</u>	<u>\$ 74,584</u>	<u>\$ 840,222</u>	<u>\$ 739,380</u>

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

**COMMUNITY FOUNDATION OF BURKE COUNTY, INC.**

Statement of Cash Flows  
Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 1,220,781	\$ 2,077,075
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	3,955	4,855
Net realized and unrealized gains on investments	(1,002,860)	(1,417,658)
Receipt of donated land held-for-investment		(11,336)
Provision for pledge cancellations	7,000	
Working capital changes - sources (uses):		
Promises to give	(78,664)	
Other receivables	(3,996)	6,338
Accounts and grants payable	(1,155)	4,985
Restricted contributions	<u>(539,304)</u>	<u>(867,289)</u>
Net cash used by operating activities	<u>(394,243)</u>	<u>(203,030)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	4,586,546	5,436,571
Purchase of investments	<u>(4,785,411)</u>	<u>(5,712,844)</u>
Net cash used by investing activities	<u>(198,865)</u>	<u>(276,273)</u>
<b>Cash flows from financing activities:</b>		
Restricted contributions	<u>539,304</u>	<u>867,289</u>
Net increase (decrease) in cash and equivalents	(53,804)	387,986
Cash and equivalents at beginning of year	<u>1,068,225</u>	<u>680,239</u>
Cash and equivalents at end of year	<u>\$ 1,014,421</u>	<u>\$ 1,068,225</u>

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

# COMMUNITY FOUNDATION OF BURKE COUNTY, INC.

Notes to Financial Statements  
December 31, 2010

## **Note 1 - Summary of Significant Accounting Policies**

### Organization

The Community Foundation of Burke County, Inc. (the Foundation) is a permanent foundation. The Foundation receives gifts, grants, and bequests for the purpose of making charitable donations to approved organizations (as defined in its articles of incorporation and determined by the Board of Directors) and generally to perform all acts which may be deemed necessary or expedient to develop charitable capital for Burke County, North Carolina.

### Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### Tax Status

The Foundation has been classified as a publicly-supported charitable organization under the Internal Revenue Code Section 501(c)(3). As a publicly-supported charity, the Foundation is exempt from federal and state income taxes and federal excise taxes under Section 509(a)(1) of the Internal Revenue Code.

### Financial Statement Presentation

The Foundation reports in compliance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

### Unrestricted

Unrestricted net assets are summarized in the following categories:

- Discretionary: Funds which are available for current operations.
- Board designated: Funds over which the Foundation's Board of Directors has discretionary control and is available for grant making and other purposes.
- Donor advised: Donor-established accounts whereby the donor suggests specific organizations as recipients of the fund. Such donor recommendations, although not binding upon the Foundation, are taken into consideration when grants are made.

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

### Financial Statement Presentation (continued)

#### Temporarily Restricted

Temporarily restricted net assets are comprised of restricted contributions received by a support organization or individual and income and gains on endowment funds that are restricted by the donor. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if the restriction expires during the same accounting period in which the gift was received, the contribution is reported as an increase in unrestricted net assets.

#### Permanently Restricted

Permanently restricted net assets represent contributions by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the Foundation. Investment income and gains on these assets are classified as unrestricted or temporarily restricted based on the donor's stipulations.

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted and board designated endowment funds) and whether or not the organization is subject to UPMIFA.

The State of North Carolina enacted UPMIFA effective March 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Foundation adopted FASB ASC 958-205 for the year ending December 31, 2009. The Board of Directors has determined that the majority of the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

#### Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

### Variance Power

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or are inconsistent with the charitable needs of the community.

### Cash and Equivalents

The Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for money market funds included in investments.

### Receivables

Receivables consist of amounts due from gifts in transit and sales tax refunds. An allowance for doubtful accounts has not been established, as management believes all amounts are collectible.

### Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts, if material, on those amounts are computed using a risk-free interest rate applicable to the year in which the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. An allowance for uncollectible promises to give has not been recorded as it is management's estimate that all promises to give will be collected.

### Investments

Investments in money market funds and marketable securities are carried at market value based on published quotations. Gains and losses on securities are reflected in the statement of activities. Contributed investments received that do not have readily determinable fair market values generally consist of closely held stock and property. Such investments are recorded at their appraised value at the date received, and no changes in carrying value are reflected in the financial statements for subsequent temporary increases or decreases in value.

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

### Property and Equipment

Donations of property and equipment are recorded as support at their value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Foundation capitalizes all assets with a cost of \$500 or more and books the assets at cost. Property and equipment are depreciated using the straight-line method. The estimated lives of the assets range from 5 – 10 years.

### Donated Services

In accordance with FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*, the Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer committees, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

### Grants

Unconditional grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Grants that are subject to conditions are recorded when approved by the Board of Directors and paid when the conditions are substantially met.

### Administrative Charges

The Foundation retains as compensation for its services a charge against the various accounts. Generally the fee is 1% of the principal market value of the account charged on a quarterly basis of (1/4) of the 1% of the fund balance computed on the previous month-end fund balance. For the years ended December 31, 2010 and 2009, administrative charges were \$100,516 and \$83,734, respectively.

### Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2010 and 2009, amounts charged to expense were \$3,067 and \$1,389, respectively.

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

### Fair Value Measurements and Disclosures

The Foundation follows FASB ASC 820 *Fair Value Measurements and Disclosures* which established a fair value hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

### Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, approximate the carrying values of such amounts.

### Allocation of Expenses

The expenses of the Foundation are allocated to functions based on management's estimate that 50% each be apportioned to program services and management and general, except for gifts for charitable purposes and investment management fees, which are considered direct program service expenses.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

### **Comparative Financial Information**

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

### **Reclassification**

Certain amounts from 2009 have been reclassified to conform to the 2010 presentation.

## **Note 2 - Promises to Give**

Promises to give consists primarily of balances on multi-year pledges made to the Burke Women's Fund of \$365 per member, which are payable over the next two years. The discount on this promise to give balance is immaterial and not recorded. The promise to give balance associated with pledges from the Burke Women's Fund for the years ended December 31, 2010 and 2009 was \$78,689 and \$0, respectively.

## **Note 3 - Investments**

Long-term investments consist principally of pooled investment funds, common stocks, mutual funds, government bonds, other assets, and money market funds. The costs of investments and their related carrying value (market) were as follows:

At December 31	2010		2009	
	Market Value	Cost	Market Value	Cost
Money market funds	\$ 552,314	\$ 552,314	\$ 562,431	\$ 562,431
Government bonds	492,473	479,412	1,063,481	1,034,550
Corporate bonds	334,984	313,465		
Equity securities	6,173,466	4,969,666	5,688,371	5,007,957
Mutual funds	2,767,022	2,589,288	2,000,209	1,932,159
Other assets	434,799	401,275	238,841	243,434
<b>Investments</b>	<b>\$ 10,755,058</b>	<b>\$ 9,305,420</b>	<b>\$ 9,553,333</b>	<b>\$ 8,780,531</b>

### **Note 3 - Investments (continued)**

The following tabulation summarizes the changes in unrealized appreciation (depreciation) of investments and the realized gains (losses) on investment transactions for the years ended December 31, 2010 and 2009:

<u>At December 31</u>	<u>2010</u>	<u>2009</u>
Excess of market value of investments over cost (cost of investments over market value):		
Beginning of year	\$ 772,802	\$ (904,582)
End of year	<u>1,449,638</u>	<u>772,802</u>
Unrealized gains in market valuation	676,836	1,677,384
Realized gains (losses) on sale of investments	<u>326,024</u>	<u>(259,726)</u>
<u>Total gains on investments</u>	<u>\$ 1,002,860</u>	<u>\$ 1,417,658</u>

Investment management fees for the years ended December 31, 2010 and 2009 were \$78,653 and \$68,629, respectively.

### **Note 4 - Endowment Funds**

The Foundation's endowments consist of approximately 67 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the North Carolina UPMIFA as permitting the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

#### **Note 4 - Endowment Funds (continued)**

##### Investment Return, Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a steady stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve, within acceptable levels of risk, a real rate of return on investments, including investment income and capital appreciation, which exceeds the annual distribution. Endowment assets are invested in a well diversified asset mix, as determined by the Foundation's Investment Committee. The Foundation allocates all spendable income generated from the endowment investments to the funds.

The Foundation expects its endowment assets, over time, to produce an annual average rate of return of approximately 9% to cover the 4.5% annual distribution amount, 1% administrative fee, and the approximate rate of inflation of 3%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets, and allocation between asset classes. The Foundation exercises due care to diversify invested fund assets through its strategies to achieve the stated objectives for the Foundation in accordance with the asset allocation policy.

##### Spending Policy

The Foundation has a policy of appropriating for distribution all spendable income generated from the endowment investments based on the net value of the funds. The net value is determined by averaging the previous twelve quarters' ending values. If the fund has not existed twelve quarters, the net value will be the average of the ending quarter values since its inception. In establishing this policy, the Foundation considered the long-term expected return in its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an amount in excess of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The current board has approved a spending rate of 4.5%. The spending policy is subject to the discretion of the board, and can be changed at any time in order to meet the needs of the Foundation.

**Note 4 - Endowment Funds (continued)**

Endowment net asset composition by type of fund is as follows:

At December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$	\$ 11,009,925	\$ 70,000	\$ 11,079,925
Board designated endowment funds	<u>132,665</u>	<u>                    </u>	<u>                    </u>	<u>132,665</u>
<b>Total funds</b>	<u>\$ 132,665</u>	<u>\$ 11,009,925</u>	<u>\$ 70,000</u>	<u>\$ 11,212,590</u>

Changes in endowment net assets are as follows:

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 125,523	\$ 9,908,037	\$ 70,000	\$ 10,103,560
Contributions		465,059		465,059
Investment income, net	(4,798)	(44,788)		(49,586)
Distributions		(309,303)		(309,303)
Net appreciation	<u>11,940</u>	<u>990,920</u>	<u>                    </u>	<u>1,002,860</u>
<b>Endowment net assets, end of year</b>	<u>\$ 132,665</u>	<u>\$ 11,009,925</u>	<u>\$ 70,000</u>	<u>\$ 11,212,590</u>

## **Note 5 - Fair Value Measurements**

The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values for financial instruments:

<u>At December 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 552,314	\$	\$	\$ 552,314
Government bonds	492,473			492,473
Corporate bonds		334,984		334,984
Equity securities	6,173,466			6,173,466
Mutual funds	2,767,022			2,767,022
Other assets			434,799	434,799
<u>Total investments</u>	<u>\$ 9,985,275</u>	<u>\$ 334,984</u>	<u>\$ 434,799</u>	<u>\$ 10,755,058</u>

Investment accounts of stocks, money market funds, mutual funds, and government bonds that are recorded to fair value based on current quoted market prices provided by investment custodians or other models.

A reconciliation of changes in Level 3 inputs is as follows:

<u>For the Year Ended December 31, 2010</u>	<u>Total</u>
Level 3 inputs, beginning of year	\$ 238,841
Purchases of investments	154,436
Sales	(9,869)
Net realized and unrealized gains	51,391
<u>Level 3 inputs, end of year</u>	<u>\$ 434,799</u>

## **Note 6 - Property and Equipment**

A description of property and equipment is as follows:

<u>At December 31</u>	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 11,267	\$ 11,267
Office equipment	15,589	15,589
	26,856	26,856
Less, accumulated depreciation	24,644	20,689
<u>Property and equipment</u>	<u>\$ 2,212</u>	<u>\$ 6,167</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$3,955 and \$4,855, respectively.

### **Note 7 - Land-Held-for-Investment**

A donation of land valued at \$11,336 was received and is to be held until overall economic conditions improve. Receipts from future sale will be restricted according to the fund for which it was contributed.

### **Note 8 - Risk of Loss**

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured balance was approximately \$232,837 at December 31, 2010. Also included in cash and equivalents are money market funds held by brokerage firms. Each brokerage balance is protected by the Securities Investor Protection Corporation (SIPC). The SIPC replaces missing stocks and other securities where it is possible to do so. The SIPC covers securities up to \$500,000 and cash up to \$100,000. The amount of money market funds uninsured by SIPC at December 31, 2010 is \$352,314.

On November 9, 2010, the FDIC issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution.

A noninterest-bearing transaction account is a deposit account where interest is neither accrued nor paid; depositors are permitted to make an unlimited number of transfers and withdrawals; and the bank does not reserve the right to require advance notice of an intended withdrawal.

Money Market Deposit Accounts (MMDAs) and Negotiable Order of Withdrawal (NOW) accounts are not eligible for this unlimited insurance coverage, regardless of the interest rate, even if no interest is paid on the account.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amount reported in the statement of financial position.

### **Note 9 - Related Party Transactions**

The use of the facilities for the Foundation offices was donated by a board member. Amounts have been recognized as revenues and expenditures in the accompanying financial statements for the fair market value of the donated facilities. Donated rent was \$13,574 for each of the years ended December 31, 2010 and 2009.

### **Note 10 - Concentration of Revenue**

In the years ended December 31, 2010 and 2009, the Foundation was the recipient of estate gifts totaling \$127,200 and \$665,197, respectively. These amounts represent 17% and 58% of total contributions for their respective years.

### **Note 11 - Income Taxes**

#### **Uncertain Tax Positions**

FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of December 31, 2010, management has determined that the Foundation has no such risk and therefore no liabilities have been recorded for uncertain tax positions.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

The Foundation's Return of Organization Exempt from Income Tax (Form 990) for 2007, 2008, and 2009 are subject to examination by the IRS, generally for three years after they are filed.

### **Note 12 - Subsequent Events**

Management has evaluated subsequent events through April 26, 2011, which is the date the financial statements were available to be issued. During the period from the end of the fiscal year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

## **ADDITIONAL INFORMATION**

**COMMUNITY FOUNDATION OF BURKE COUNTY**

Schedule of Gifts for Charitable Purposes  
Year Ended December 31, 2010  
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
Advancing the arts and humanities	\$ 35,786	\$ 28,236
Improving human services	237,149	242,767
Enhancing our environment	16,712	14,317
Improving educational opportunities	81,778	58,327
Promoting access to quality health care	160,657	89,919
Religion	73,044	82,778
Building the community and economic vitality	<u>7,278</u>	<u>5,000</u>
Total	<u>\$ 612,404</u>	<u>\$ 521,344</u>