

# The Oregon Community Foundation

Consolidated Financial Statements as of and for the  
Years Ended December 31, 2010 and 2009, and  
Independent Auditors' Report

# THE OREGON COMMUNITY FOUNDATION

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-16

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
The Oregon Community Foundation  
Portland, Oregon

We have audited the accompanying consolidated statements of financial position of The Oregon Community Foundation (an Oregon not-for-profit corporation) and related supporting organizations ("Oregon Community Foundation") as of December 31, 2010 and 2009, and the related consolidated statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of The Oregon Community Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Community Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Oregon Community Foundation and related supporting organizations as of December 31, 2010 and 2009, and the results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the financial statements, the financial statements include investments in limited partnership investments, real property, and other investments valued at \$378,669,981 (32.0% of total assets) and \$297,305,055 (28.6% of total assets) as of December 31, 2010 and 2009, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners, and real estate appraisals.

*Deloitte & Touche LLP*

May 4, 2011

# THE OREGON COMMUNITY FOUNDATION

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

---

	2010	2009
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 14,622,322	\$ 14,921,951
INTEREST AND DIVIDENDS RECEIVABLE	1,094,879	1,800,753
INVESTMENTS	1,045,058,014	931,806,618
CONTRIBUTIONS RECEIVABLE	50,757,531	12,191,844
ASSETS HELD IN CHARITABLE TRUSTS	71,470,263	77,309,157
ASSETS HELD IN CHARITABLE GIFT ANNUITIES	1,242,373	1,021,386
PROGRAM RELATED INVESTMENTS	501,800	501,800
OFFICE FURNITURE AND EQUIPMENT — At cost, less accumulated depreciation of \$798,065 and \$702,136	194,713	283,347
OTHER ASSETS	<u>127,128</u>	<u>269,487</u>
TOTAL	<u>\$1,185,069,023</u>	<u>\$1,040,106,343</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 582,240	\$ 393,261
Grants payable	2,893,100	6,304,895
Deferred compensation	153,189	16,500
Funds held as endowment partner funds	161,241,405	138,746,031
Liabilities under charitable trust agreements	44,950,581	45,200,496
Liabilities under charitable gift annuities	<u>783,930</u>	<u>612,250</u>
Total liabilities	<u>210,604,445</u>	<u>191,273,433</u>
NET ASSETS:		
Unrestricted	896,687,719	803,840,619
Temporarily restricted	<u>77,776,859</u>	<u>44,992,291</u>
Total net assets	<u>974,464,578</u>	<u>848,832,910</u>
TOTAL	<u>\$1,185,069,023</u>	<u>\$1,040,106,343</u>

See notes to consolidated financial statements.

# THE OREGON COMMUNITY FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS (LOSSES):			
Gifts, grants, and contributions	\$ 50,803,410	\$ 42,405,390	\$ 93,208,800
Investment (loss) income:			
Interest and dividends	9,568,726	-	9,568,726
Realized gains — net	9,192,694	-	9,192,694
Unrealized gains (losses) — net	44,455,345	(74,320)	44,381,025
Net gains — alternative investments	24,596,909	-	24,596,909
Investment expenses	<u>(1,713,842)</u>	<u>-</u>	<u>(1,713,842)</u>
Total investment (loss) income	86,099,832	(74,320)	86,025,512
Change in value of split-interest agreements	-	2,944,010	2,944,010
Other income	3,760,300	-	3,760,300
Net assets released from restrictions	<u>12,490,512</u>	<u>(12,490,512)</u>	<u>-</u>
Total revenues and gains (losses)	<u>153,154,054</u>	<u>32,784,568</u>	<u>185,938,622</u>
GRANTS AND OTHER EXPENSES:			
Grants	51,319,493	-	51,319,493
Funds expense	1,742,314	-	1,742,314
Administrative	6,953,262	-	6,953,262
Program services	<u>291,885</u>	<u>-</u>	<u>291,885</u>
Total grants and other expenses	<u>60,306,954</u>	<u>-</u>	<u>60,306,954</u>
CHANGE IN NET ASSETS	92,847,100	32,784,568	125,631,668
NET ASSETS — Beginning of year	<u>803,840,619</u>	<u>44,992,291</u>	<u>848,832,910</u>
NET ASSETS — End of year	<u>\$896,687,719</u>	<u>\$ 77,776,859</u>	<u>\$974,464,578</u>

See notes to consolidated financial statements.

# THE OREGON COMMUNITY FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND GAINS (LOSSES):</b>			
Gifts, grants, and contributions	<u>\$ 27,557,065</u>	<u>\$ 5,196,557</u>	<u>\$ 32,753,622</u>
Investment (loss) income:			
Interest and dividends	12,454,739	-	12,454,739
Realized losses — net	(51,425,220)	(59,500)	(51,484,720)
Unrealized gains — net	151,167,086	-	151,167,086
Net gains — alternative investments	31,703,649	-	31,703,649
Investment expenses	<u>(1,676,792)</u>	<u>-</u>	<u>(1,676,792)</u>
Total investment (loss) income	142,223,462	(59,500)	142,163,962
Change in value of split-interest agreements	-	6,040,517	6,040,517
Other income	3,701,269	-	3,701,269
Net assets released from restrictions	<u>4,064,016</u>	<u>(4,064,016)</u>	<u>-</u>
Total revenues and gains (losses)	<u>177,545,812</u>	<u>7,113,558</u>	<u>184,659,370</u>
<b>GRANTS AND OTHER EXPENSES:</b>			
Grants	54,193,003	-	54,193,003
Funds expense	1,332,161	-	1,332,161
Administrative	6,335,813	-	6,335,813
Program services	<u>166,792</u>	<u>-</u>	<u>166,792</u>
Total grants and other expenses	<u>62,027,769</u>	<u>-</u>	<u>62,027,769</u>
CHANGE IN NET ASSETS	115,518,043	7,113,558	122,631,601
NET ASSETS — Beginning of year	<u>688,322,576</u>	<u>37,878,733</u>	<u>726,201,309</u>
NET ASSETS — End of year	<u>\$803,840,619</u>	<u>\$44,992,291</u>	<u>\$848,832,910</u>

See notes to consolidated financial statements.

# THE OREGON COMMUNITY FOUNDATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 125,631,668	\$ 122,631,601
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net investment losses (gains) attributable to funds held as endowment partner funds	(16,224,589)	(24,134,271)
Depreciation	121,889	118,910
Contributions of stock, real property, and other non-cash assets	(13,345,302)	(12,032,153)
Net realized (gains) losses on investments	(9,192,694)	51,484,720
Net unrealized gains on investments	(44,381,025)	(151,167,086)
Net gains on alternative investments	(24,596,909)	(31,703,649)
Change in:		
Interest and dividends receivable	705,874	76,265
Contributions receivable	(38,565,687)	1,092,895
Assets held in charitable trusts	5,838,894	(12,855,002)
Assets held in charitable gift annuities	(220,987)	(142,864)
Other assets	142,359	(208,363)
Accounts payable and accrued expenses	188,979	(95,184)
Grants payable	(3,411,795)	1,647,333
Deferred compensation	136,689	(191,419)
Liabilities under charitable trust agreements	(249,915)	5,648,925
Liabilities under charitable gift annuities	171,680	(41,765)
Funds held as endowment partner funds	22,495,374	23,155,611
Net cash provided by (used in) operating activities	<u>5,244,503</u>	<u>(26,715,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments received on notes	49,906	617,251
Purchase of equipment	(33,255)	(63,887)
Proceeds from sales of investments	471,589,963	1,260,424,170
Distributions from limited partnership investments	4,888,040	1,168,060
Purchases of investments	(462,599,297)	(1,220,717,728)
Additions to limited partnership investments	(19,439,489)	(11,700,289)
Net cash (used in) provided by investing activities	<u>(5,544,132)</u>	<u>29,727,577</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(299,629)	3,012,081
CASH AND CASH EQUIVALENTS — Beginning of year	<u>14,921,951</u>	<u>11,909,870</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 14,622,322</u>	<u>\$ 14,921,951</u>

See notes to consolidated financial statements.

# THE OREGON COMMUNITY FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

---

### 1. ORGANIZATION

The Oregon Community Foundation (OCF) was established in 1973 to improve life in Oregon and to promote effective philanthropy. OCF accomplishes its purpose by building a permanent endowment for the benefit of the community through the support of philanthropically minded Oregonians. Funds are contributed by individuals, corporations, and non-profit agencies and support a wide range of organizations that promote the educational, cultural, health, social, and civic development of Oregon. OCF operates a grants program that seeks out opportunities for the effective use of its resources in a manner that is consistent with its donors' intent.

The consolidated financial statements include the operations of five supporting organizations, the OCF Joseph E. Weston Foundation, Peter W. Stott Foundation, Sid and Karen DeBoer Foundation, Wieden Family Public Foundation, and Weston Public Foundation Charitable Trust. OCF performs all accounting and administrative functions for the supporting organizations as well as appointing the majority of voting members to the Board of Directors for each organization. The supporting organizations make grants to OCF and other outside organizations.

OCF also appoints the majority of voting members to the Board of Directors of the Park Blocks Foundation. OCF does not have an economic interest in this organization, and its operations have no relationship to OCF. Therefore, amounts related to this entity have not been consolidated in the financial statements herein.

The Oregon Community Foundation and the consolidated supporting organizations are collectively referred to as the "Foundation."

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Classification of Contributions and Net Assets** — The accompanying financial statements have been prepared in accordance with the *Not-for Profit Entities Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)* ("ASC Section 958"). The *Balance Sheet and Income Statement Subtopics* of ASC Section 958 require the Foundation to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into these classes: unrestricted, temporarily restricted, and permanently restricted. *FASB ASC* (ASC 958-205-45-28) provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). The Foundation has determined its net assets do not meet the definition of endowment under UPMIFA.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, educational, and scientific needs of the State of Oregon, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable, educational and scientific purposes of the Foundation. Based on this provision,

all contributions and assets not classified as temporarily restricted are classified as unrestricted. Contributions of pledges for which the cash has not been received and assets and liabilities held in charitable trust agreements or life estate agreements are classified as temporarily restricted. The Foundation has no assets that are permanently restricted.

The Foundation's assets consist of approximately 1,600 individual funds established by donors for a variety of purposes. As noted above, the Foundation classifies these funds as unrestricted net assets; however, the Foundation manages funds established by donors as endowed funds in accordance with terms set forth in the individual fund agreements. Accordingly, the Foundation further classifies its unrestricted net assets as of December 31, 2010 and 2009, as follows:

	<b>2010</b>	<b>2009</b>
Discretionary	\$ 331,854,983	\$ 277,167,508
Field of interest	228,945,705	214,112,908
Designated	190,716,248	171,800,006
Scholarship	91,392,923	85,681,923
Administrative	2,938,309	2,486,160
Supporting organizations	<u>47,233,041</u>	<u>48,031,432</u>
 Total endowment	 893,081,209	 799,279,937
 Operating funds — non-endowed	 <u>3,606,510</u>	 <u>4,560,682</u>
 Total unrestricted net assets	 <u>\$ 896,687,719</u>	 <u>\$ 803,840,619</u>

None of the Foundation's temporarily restricted net assets are endowment funds.

For the years ended December 31, 2010 and 2009, the following table summarizes activity in endowed funds:

Endowment funds — January 1, 2009	\$ 682,636,936
Contributions	27,437,813
Interest and dividends	12,289,191
Investment gains — net	129,796,004
Grants and other expenses	(55,615,445)
Reclassifications	(161,903)
Other	<u>2,897,341</u>
Endowment funds — December 31, 2009	799,279,937
Contributions	50,661,287
Interest and dividends	9,512,391
Investment gains — net	76,467,139
Grants and other expenses	(53,246,131)
Other	<u>10,406,586</u>
Endowment funds — December 31, 2010	<u>\$ 893,081,209</u>

**Cash and Cash Equivalents** — Cash and cash equivalents consist of cash in bank accounts and all highly liquid investments with maturities of three months or less at date of acquisition.

**Investments** — *Fair Value Measurements and Disclosures Topic of FASB ASC 820 (“ASC 820”)*, which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e. the exit price).

Investments are reflected on the consolidated statements of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the consolidated statements of activities.

Publicly traded investments in active markets are reported at fair market value based on current quoted market prices.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by management. The valuations of limited partnership investments include assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by Foundation management.

See Note 5, Investments, for further discussion relating to *Fair Value Measurements and Disclosures* and the Foundation’s investments.

**Assets Held in Charitable Trusts** — The Foundation serves as the trustee for various charitable trusts. Under the terms of these trust agreements, the Foundation makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in charitable trusts at their fair market value based on current quoted market prices and records a liability under charitable trust agreements for the estimated discounted value of the amounts due to the income beneficiaries based on Internal Revenue Service annuity and mortality tables.

**Assets Held in Charitable Gift Annuities** — The Foundation has established twenty charitable gift annuities. Under the terms of these agreements, the Foundation makes distributions to the donors for their lifetimes. Upon the death of the donors, assets remaining in the charitable gift annuities will be transferred to the Foundation. The Foundation records the assets held in charitable gift annuities at their fair market values based on current quoted market prices and records a liability under the charitable gift annuities based on the estimated discounted value of the amounts due to the donors based on the Internal Revenue Service annuity and mortality tables.

**Beneficial Interests in Charitable Trusts** — Beneficial interests in charitable trusts (including charitable lead trusts, perpetual trusts, and charitable remainder trusts) held by others are recorded at the net present value of the estimated future amount to be received from such assets. These beneficial interests are included in contributions receivable on the statements of financial position.

**Split-Interest Agreements** — Split-interest agreements are agreements between the Foundation and donors in which the donors makes gifts to the Foundation, but the Foundation is not the sole beneficiary. The Foundation receives either a lead interest (distributions during the term of the agreement with any remaining assets going to an individual or individuals designated by the donor) or a remainder interest (distribution of assets remaining at the end of the agreement with distributions going to an individual or individuals designated by the donor during the term of the agreement). Assets Held in Charitable Trusts, Assets Held in Charitable Gift Annuities, or Beneficial Interests in Charitable Trusts qualify as split-interest agreements and are accordingly presented as such throughout the following footnotes.

**Contributions** — Contributions are recorded at fair value at the date of receipt or unconditional promise to give.

**Grants** — Grants are made from available income and principal in accordance with designations by the donors and as approved by the Board of Directors and are recorded at the date the grant is approved.

**Office Furniture and Equipment** — Office furniture and equipment is recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over estimated useful lives of three to five years.

**Income Taxes** — The Foundation has been granted tax-exempt status under §501(c)(3) of the Internal Revenue Code and is, therefore, generally exempt from federal and state income taxes. Accordingly, no taxes have been provided for in the accompanying consolidated financial statements.

**Use of 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 revenues and gains, and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** — The Foundation has evaluated subsequent events through May 4, 2011, the date the financial statements were available to be issued, and has concluded that there are no material subsequent events, which would require further disclosure.

### **3. ENDOWMENT INVESTMENT AND SPENDING POLICIES**

The goal of the Foundation's investment program for funds held as permanent endowment is to achieve a total rate of return that will allow the Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. The Foundation's investment objective for funds held as term endowment funds is to preserve capital and, if possible, purchasing power over the life of the fund. To meet this objective, assets of individual funds are invested in a mixture of cash, bonds, and stocks that will produce a reasonable return over a reasonable period, consistent with the payout schedule and program objective of the fund. Foundation assets are invested in a mixture of equities, fixed-income instruments, alternative investment classes such as hedge funds, distressed debt, and private investments, cash, and cash equivalents.

The Foundation has adopted a spending policy to determine the annual amount available for distribution from funds held as permanent endowment. Each year the board sets an annual payout rate for the coming year based on a 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout for grants will be 5% of market value; if the projected 10-year return is below 9%, the payout for grants will be 4 1/2% of market value. Market value is determined using a 13-quarter trailing average of fund market value.

#### 4. ENDOWMENT PARTNER FUNDS

The Foundation follows the *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others Subtopic of FASB ASC* (“ASC 958-605-25-21”) for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. FASB ASC 958-605-25-21 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment partner funds.

The Foundation maintains variance power and legal ownership of endowment partner funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958-605-25-23, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2010 and 2009, the Foundation was the owner of 356 and 330, respectively, endowment partner funds with a combined value of \$161,241,405 and \$138,746,031, respectively. For the years ended December 31, 2010 and 2009, the following table summarizes activity in such funds:

Endowment Partner Fund balance — January 1, 2009	\$ 115,590,420
Amounts raised	5,866,200
Interest and dividends	2,262,973
Realized losses — net	(10,239,774)
Unrealized gains — net	34,374,045
Grants	(8,197,123)
Investment fees and other expenses — net	<u>(910,710)</u>
Endowment Partner Fund balance — December 31, 2009	138,746,031
Amounts raised	14,568,923
Interest and dividends	1,650,567
Realized gains — net	1,930,312
Unrealized gains — net	14,294,277
Grants	(8,962,874)
Investment fees and other expenses — net	<u>(985,831)</u>
Endowment Partner Fund balance — December 31, 2010	<u>\$ 161,241,405</u>

## 5. INVESTMENTS

FASB ASC 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

*Level I* — Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level I include listed equities and listed derivatives. As required by FASB ASC 820, the Foundation, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

*Level II* — Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

*Level III* — Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, fund of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The fair value of each asset and liability 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 of assets and liabilities measured and recorded at fair value on a recurring basis at December 31:

	<b>2010</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Assets:				
Equities:				
Publicly traded equities	\$ 139,820,638	\$ -	\$ -	\$ 139,820,638
Mutual funds	197,984,199	-	-	197,984,199
Co-mingled trusts and pooled funds	23,388,279	140,768,209	-	164,156,488
Limited partnership investments:				
Marketable alternative investments	-	-	260,822,496	260,822,496
Private capital investments	-	-	63,172,717	63,172,717
Fixed income:				
Bonds and notes	-	106,604,962	-	106,604,962
Mutual funds	-	10,838,277	-	10,838,277
Co-mingled trusts and pooled funds	-	46,983,469	-	46,983,469
Real property	-	-	48,069,384	48,069,384
Other investments	-	-	6,605,384	6,605,384
Total investments	<u>\$ 361,193,116</u>	<u>\$ 305,194,917</u>	<u>\$ 378,669,981</u>	<u>\$ 1,045,058,014</u>
Assets held in charitable trusts and gift annuities	<u>\$ 64,518,122</u>	<u>\$ 2,601,483</u>	<u>\$ 5,593,031</u>	<u>\$ 72,712,636</u>
Beneficial interest in charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,489,411</u>	<u>\$ 7,489,411</u>
Liabilities under split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,734,511</u>	<u>\$ 45,734,511</u>
<b>2009</b>				
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Assets:				
Equities:				
Publicly traded equities	\$ 158,360,968	\$ 7,663,103	\$ -	\$ 166,024,071
Mutual funds	163,654,580	-	-	163,654,580
Co-mingled trusts and pooled funds	-	111,505,822	-	111,505,822
Limited partnership investments:				
Marketable alternative investments	-	-	203,245,945	203,245,945
Private capital investments	-	-	39,826,985	39,826,985
Fixed income:				
Bonds and notes	969,991	159,508,813	-	160,478,804
Mutual funds	-	-	-	-
Co-mingled trusts and pooled funds	-	32,838,286	-	32,838,286
Real property	-	-	48,461,510	48,461,510
Other investments	-	-	5,770,615	5,770,615
Total investments	<u>\$ 322,985,539</u>	<u>\$ 311,516,024</u>	<u>\$ 297,305,055</u>	<u>\$ 931,806,618</u>
Assets held in charitable trusts and gift annuities	<u>\$ 69,735,771</u>	<u>\$ 2,278,156</u>	<u>\$ 6,316,616</u>	<u>\$ 78,330,543</u>
Beneficial interest in charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,869,123</u>	<u>\$ 7,869,123</u>
Liabilities under split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,812,746</u>	<u>\$ 45,812,746</u>

For the years ended December 31, 2010 and December 31, 2009, the change in Level III assets and liabilities measured at fair value on a recurring basis:

	<b>Invested Assets</b>	<b>Trust Assets and Beneficial Interests</b>	<b>Split-Interest Liabilities</b>
Balance — January 1, 2009	\$ 222,872,722	\$ 14,496,018	\$ 40,205,586
Purchases and issuances	38,509,689	(1,029,070)	3,014,787
Sales and settlements	(1,418,941)		
Realized losses included in total investment income	(487,635)	-	-
Contribution of Level III assets	1,278,259	-	-
Change in unrealized gains included in total investment income	33,921,226	-	-
Change in value	-	718,791	2,592,373
Transfer into Level III	<u>2,629,735</u>	<u>-</u>	<u>-</u>
Balance — December 31, 2009	297,305,055	14,185,739	45,812,746
Purchases and issuances	59,211,833	-	2,812,568
Sales and settlements	(6,413,435)	(1,145,380)	(4,489,496)
Realized losses included in total investment income	(34,359)	-	-
Contribution of Level III assets	1,231,287	-	-
Change in unrealized gains included in total investment income	27,369,600	-	-
Change in value	<u>-</u>	<u>42,083</u>	<u>1,598,693</u>
Balance — December 31, 2010	<u>\$ 378,669,981</u>	<u>\$ 13,082,442</u>	<u>\$ 45,734,511</u>

Investment accounts consisting of publicly traded equities and mutual funds are recorded at fair market value based on current quoted market prices provided primarily by custodians. Investments in fixed income accounts are recorded at fair value provided primarily by custodians and are based on pricing models that incorporate available trade, bid and other market information. Investments in co-mingled trusts and pooled funds are valued at the net asset value per unit as provided by the fund trustees or custodians. Net asset value is based on fair market value of the underlying assets of the funds using quoted market prices when available and alternative valuation methods as provided in the individual trust or pooled fund agreements when quoted market prices are not available.

Quoted market prices are not available for certain investments, including limited partnership investments and real property. These investments are recorded at their estimated fair market value; therefore, the reported value may differ from the value that would have been used had a quoted market price existed. The valuations for limited partnership investments are based on the net asset value of the Foundation's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the General Partners of the limited partnerships and were reviewed by Foundation management. The Foundation believes that the reported amounts for these investments are a reasonable estimate of their fair value at December 31, 2010 and 2009.

Beneficial interests in charitable trusts (including charitable lead trusts, perpetual trusts, and charitable remainder trusts) held by others are recorded at the net present value of the estimated future amount to be received from such assets. The present value of charitable remainder trusts held by others is based on Internal Revenue Service annuity and mortality tables. The present value of estimated future amounts to be received from charitable lead trusts and perpetual trusts held by others is based on a discount rate of 8.0%.

Liabilities under split-interest agreements are recorded at the present value of estimated amounts due to income beneficiaries of the agreements based on Internal Revenue Service annuity and mortality tables.

ASC Topic 820 requires additional disclosures for investments valued at net asset value to enable users to of financial statements to understand the nature and risks of those investments. At December 31, 2010, the Foundation's investments valued at net asset value were as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Co-mingled trusts and pooled funds — equity	\$ 164,156,488		Daily to Monthly	6 days to 30 days
Co-mingled trusts and pooled funds — fixed income	46,983,469		Daily	10 days
Marketable alternative assets	260,822,496		Monthly to every 24 months	30 days to 90 days
Private capital assets	<u>63,172,717</u>	\$84.7 million		
Total	<u>\$ 535,135,171</u>	\$84.7 million		

The co-mingled trusts and pooled funds-equity category represents investments in equities, both U.S. and international, including investments in developed and emerging markets and in energy, real estate, and commodity stocks.

The co-mingled trusts and pooled funds-fixed income invest in fixed income instruments globally, including sovereign debt, investment-grade corporate bonds, and mortgage-backed securities.

Marketable alternative assets are investments in funds organized as limited partnerships. The funds invest primarily in publicly traded securities employing a variety of strategies including absolute return strategies such as diversified arbitrage and investment in distressed securities and long/short strategies.

Private capital assets are investments in funds organized as limited partnerships. The funds invest in private companies, both U.S. and international. This category includes investments in a broad range of strategies including venture capital, private equity, distressed investments, and real assets. The Foundation cannot redeem investments in this category. Instead, the Foundation receives distributions from the partnerships as underlying assets are liquidated. The Foundation estimates that underlying assets of the funds will be liquidated over the next 2 to 10 years, at which time the partnerships will be terminated.

## 6. CONTRIBUTIONS RECEIVABLE

Included in contributions receivable at December 31, 2010 and 2009, are the following unconditional promises to give:

	2010	2009
Beneficial interests in charitable lead trusts	\$ 8,768,817	\$ 9,732,727
Beneficial interests in perpetual trusts	100,320	103,266
Beneficial interests in charitable remainder trusts	4,450,985	4,343,035
Other — pending bequests	<u>43,268,119</u>	<u>4,322,721</u>
Gross contributions receivable	56,588,241	18,501,749
Less discount	<u>5,830,710</u>	<u>6,309,905</u>
Net contributions receivable	<u>\$ 50,757,531</u>	<u>\$ 12,191,844</u>

Contributions receivable at December 31, 2010 and 2009, are due as follows:

	<b>2010</b>	<b>2009</b>
Due in less than one year	\$44,281,219	\$ 5,333,268
Due in one to five years	3,995,644	4,001,695
Due in over five years	<u>8,311,378</u>	<u>9,166,786</u>
Total	<u>\$56,588,241</u>	<u>\$18,501,749</u>

During the year ended December 31, 2005, an individual donor transferred his remainder interest in a trust, with an estimated present value of \$24.3 million, to the Foundation. Under the *Not-for-Profit Entities Revenue Recognition Subtopic of FASB ASC* (ASC 958-25), if a gift includes any contingencies which depend on the occurrence of a specified future and uncertain event, the gift is recognized when the contingencies are substantially met. The terms of the trust contain such a contingency as to the final distribution of the trust assets; therefore, the contribution has not been recorded in the accompanying financial statements. During the year ended December 31, 2006, the Foundation entered into an option agreement granting certain trusts (the Buyers) the right to purchase any trust remainder interest received by the Foundation, if any. Under the terms of the option agreement, the Foundation will receive annual option payments of \$1.4 million until such time as the trust terminates. Upon termination of the trust, the Buyers have the option to purchase trust assets received by the Foundation for \$24.3 million, less any option payment received by the Foundation in the year the trust terminates.

#### **7. ASSETS HELD IN CHARITABLE GIFT ANNUITIES**

The Foundation is the residual beneficiary of twenty charitable gift annuities, fifteen of which were established in the prior years and five that were established during 2010. Payments from these charitable gift annuities are made to the donors and/or spouses during their lifetime.

Upon execution of the charitable gift annuities, the Foundation records an asset for the fair market value of charitable gift annuities, and a liability based upon the actuarial present value of amounts expected to be paid to the donors; the present value of the liability is readjusted annually. The residual amount the Foundation expects to receive from the annuities, which is the net of the gift annuity asset and the liability, as of December 31, 2010, is summarized below:

Gift annuities remainder interest expected to be received (based on life expectancy tables) in:	
Less than one year	\$ -
One to five years	185,629
Over five years	<u>272,814</u>
Total	<u>\$458,443</u>

#### **8. RETIREMENT PLAN AND DEFERRED COMPENSATION**

The Foundation provides a defined contribution retirement plan under the provisions of §401(k) of the Internal Revenue Code for qualifying employees. The plan covers substantially all employees and requires the Foundation to contribute 10% of each participant's regular compensation. A participant becomes fully vested after three years of service. The Foundation's policy is to fund 401(k) plan costs on a current basis, which amounted to \$362,366 and \$350,128, respectively, for the years ended December 31, 2010 and 2009, which amounts are included in administrative expenses in the accompanying consolidated statements of activities.

The Foundation has established a deferred compensation benefit for its president. The plan calls for the Foundation to contribute an amount to the plan each year for the president's retirement. The amount charged to expense under the plan was and \$136,500 in 2010 and \$16,500 in 2009.

**9. COMMITMENTS**

Rental expense for the Foundation's office space for the years ended December 31, 2010 and 2009, amounted to \$355,562 and \$344,120, respectively. At December 31, 2010, commitments for future minimum payments under the current lease agreements expiring on September 30, 2011, May 31, 2012, May 31, 2013, January 31, 2014, and June 30, 2015, are as follows:

<b>Years Ending December 31</b>	
2011	\$ 315,810
2012	103,789
2013	92,783
2014	56,974
2015	<u>27,600</u>
Total	<u>\$ 596,956</u>

At December 31, 2010, the Foundation had unfunded commitments of \$84.7 million in connection with its limited partnership investments.

**10. ADMINISTRATIVE EXPENSES**

Administrative expenses for the years ended December 31, 2010 and 2009, consisted of the following:

	<b>2010</b>	<b>2009</b>
Salaries	\$ 3,639,160	\$ 3,569,844
Salary related costs	1,339,920	1,147,306
Occupancy	386,358	375,711
Stationery, printing, and postage	90,784	90,761
Staff development and expenses	72,494	51,767
Promotion and statewide outreach	647,064	597,271
Information system administration	101,163	116,606
Professional fees	394,868	160,715
Insurance	36,828	35,386
Depreciation	121,889	118,910
Miscellaneous	<u>122,734</u>	<u>71,536</u>
Total	<u>\$ 6,953,262</u>	<u>\$ 6,335,813</u>

\* \* \* \* \*