

THE COMMUNITY
FOUNDATION OF
HERKIMER AND ONEIDA
COUNTIES, INC.

For the Year Ended
December 31, 2008

FINANCIAL STATEMENTS
AND SUPPLEMENTAL
SCHEDULES

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's Report

Board of Trustees

The Community Foundation of Herkimer and Oneida Counties, Inc.

We have audited the accompanying statements of financial position of The Community Foundation of Herkimer and Oneida Counties, Inc. (a non-profit organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the 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, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Herkimer and Oneida Counties, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

D'Arcangelo & Co., LLP

July 2, 2009

Utica, New York

THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.

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**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Cash	\$ 257,129	\$ 537,488
Interest and Dividends Receivable	31,116	46,386
Promises to Give	218,500	57,187
Other Current Assets	3,246	4,412
Total Current Assets	509,991	645,473
Long-Term Assets		
Investments	64,799,035	81,113,018
Loans Receivable	134,860	150,838
Promises to Give	0	10,000
Charitable Remainder Trust	122,490	196,939
Total Long-Term Assets	65,056,385	81,470,795
Property, Net	48,048	41,042
Total Assets	\$ 65,614,424	\$ 82,157,310
Liabilities and Net Assets		
Current Liabilities		
Grants Payable	\$ 988,166	\$ 1,318,605
Other Liabilities	0	207,625
Accounts Payable and Accrued Expenses	122,230	97,524
Compensated Absences	4,509	9,624
Total Current Liabilities	1,114,905	1,633,378
Long-Term Liabilities		
Grants Payable	184,025	220,000
Agency Funds	6,510,445	1,850,816
Total Long-Term Liabilities	6,694,470	2,070,816
Net Assets		
Unrestricted	19,052,805	27,425,131
Temporarily Restricted	24,242,574	36,779,478
Permanently Restricted	14,509,670	14,248,507
Total Net Assets	57,805,049	78,453,116
Total Liabilities and Net Assets	\$ 65,614,424	\$ 82,157,310

The Accompanying Notes are an Integral Part of These Financial Statements.

THE COMMUNITY FOUNDATION OF HERKIMER AND ONEIDA COUNTIES, INC.
STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2008 and 2007

	2008		2007					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Support								
Gifts and Bequests	\$ 1,638,581	\$ 566,906	\$ 261,163	\$ 2,466,650	\$ 108,885	\$ 5,068,535	\$ 397,140	\$ 5,574,560
Investment Income, Net	(8,954,438)	(11,396,808)	0	(20,351,246)	1,118,855	4,374,018	0	5,492,873
Net Assets Released from Restrictions								
Satisfaction of Program Restrictions	1,707,002	(1,707,002)	0	0	3,436,943	(3,436,835)	(108)	0
Total Revenue, Gains, and Support	<u>(5,608,855)</u>	<u>(12,536,904)</u>	<u>261,163</u>	<u>(17,884,596)</u>	<u>4,664,683</u>	<u>6,005,718</u>	<u>397,032</u>	<u>11,067,433</u>
Expenses								
Program Services								
Grants Approved	1,893,373	0	0	1,893,373	2,175,233	0	0	2,175,233
Supporting Services	870,098	0	0	870,098	859,976	0	0	859,976
Management and General	2,763,471	0	0	2,763,471	3,035,209	0	0	3,035,209
Total Expenses	<u>(8,372,926)</u>	<u>(12,536,904)</u>	<u>261,163</u>	<u>(20,648,067)</u>	<u>1,629,474</u>	<u>6,005,718</u>	<u>397,032</u>	<u>8,032,224</u>
Change in Net Assets	<u>27,425,131</u>	<u>36,779,478</u>	<u>14,248,507</u>	<u>78,453,116</u>	<u>25,795,657</u>	<u>30,773,760</u>	<u>13,851,475</u>	<u>70,420,892</u>
Net Assets, Beginning of Year	<u>\$ 19,052,805</u>	<u>\$ 24,242,574</u>	<u>\$ 14,509,670</u>	<u>\$ 57,805,049</u>	<u>\$ 27,425,131</u>	<u>\$ 36,779,478</u>	<u>\$ 14,248,507</u>	<u>\$ 78,453,116</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows from (Used by) Operating Activities		
Increase (Decrease) in Net Assets	\$ (20,648,067)	\$ 8,032,224
Adjustments for Noncash Transactions		
Depreciation and Loss on Disposal of Assets	11,847	15,392
Realized (Gains) Losses on Investments	1,372,793	(4,680,918)
Unrealized Losses on Investments	20,440,628	476,065
Present Value Change in CRT	(74,449)	2,802
Receipt of Marketable Securities	(162,682)	(4,601,429)
(Increase) Decrease in Assets		
Interest and Dividends Receivable	15,270	(13,187)
Loans Receivable	15,978	23,382
Promises to Give	(151,313)	425,197
Other Current Assets	1,166	1,671
Increase (Decrease) in Liabilities		
Grants Payable	(366,413)	89,488
Other Liabilities	(207,625)	207,625
Accounts Payable and Accrued Expenses	24,705	21,550
Compensated Absences	(5,115)	3,582
Agency Funds	4,659,629	130,059
Net Cash Flows from Operating Activities	4,926,352	133,503
Cash Flows from (Used by) Investing Activities		
Capital Expenditures	(16,853)	(11,295)
Proceeds from Redemptions of Investment Securities	2,772,309	1,629,617
Reinvested Interest and Dividends	(1,876,330)	(1,880,838)
Purchase of Investment Securities	(6,085,837)	(180,000)
Net Cash Flows (Used by) Investing Activities	(5,206,711)	(442,516)
Net (Decrease) in Cash	(280,359)	(309,013)
Cash, Beginning of Year	537,488	846,501
Cash, End of Year	\$ 257,129	\$ 537,488
Cash Paid During the Year For		
Interest	\$ 0	\$ 0
Income Taxes	\$ 0	\$ 0

The Accompanying Notes are an Integral Part of These Financial Statements.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Community Foundation of Herkimer and Oneida Counties, Inc. (The Foundation) is located in Utica, New York. It was formed exclusively for charitable, philanthropic, welfare, scientific, and education purposes, through the making of grants or otherwise extending financial assistance and support for the accomplishment of any or all of the objectives set forth by The Foundation.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by reporting information regarding financial position and activities according to three classes: permanently restricted, temporarily restricted, or unrestricted.

Contributions and Donations

The Foundation records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are received in the form of cash and marketable securities.

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 or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as satisfaction of program restrictions.

Donations other than cash are recorded at fair market value at the date of the gift.

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 reporting 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 expenses during the reporting year. Actual results could differ from those estimates.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Property

Property is recorded at cost if purchased or fair market value if donated and depreciated using the straight-line method over estimated useful lives of the assets as follows:

Furniture	7 Years
Leasehold Improvements	5-10 Years
Equipment	5 Years

The Foundation capitalizes all expenditures for furniture, leasehold improvements, and equipment costing \$1,000 and above.

Income Taxes

The Foundation is incorporated as an organization exempt from taxes as described in Section 501(c)(3) of the Internal Revenue Code.

Fair Value Measurements

On January 1, 2008, the Foundation elected to apply the provisions of Statement on Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" solely to its investments. The fair value option was chosen to measure any fluctuations in the fair value of investments as reflected in the statements of activities as unrealized gain (loss) on investments, which is included in investment income.

Fair values of securities traded on a national securities exchange are based on the last reported sales price on the last business day of the year; government securities and corporate notes for which no sale was reported on that date are valued at the last reported bid price. Securities for which reliable quotations are not readily available, are valued at fair value, as determined in good faith pursuant to procedures established by the Board of Trustees. Cash and cash equivalents are valued at cost, which approximates fair value.

On January 1, 2008, the Foundation adopted Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. Current items subject to SFAS No. 157 include all investments listed in Note 6.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SFAS No. 157 further defines, "fair value" as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Based on the observability of the inputs used in the valuation methods, the Foundation is required to provide information according to the fair value hierarchy as specified by SFAS No. 157 (see Note 6). This hierarchy ranks the quality and reliability of the information used to determine fair values.

Promises to Give

Unconditional promises to give are recorded at estimated fair value (see Note 11) and recognized as revenues in the period the promise is received.

Grants Payable

Grants authorized but unpaid at year end are reported as liabilities. Grants to be paid in more than one year have been recorded as a long-term liability.

Spending Policy

The Foundation Board adopted the total return philosophy of investing. This concept allows the Board of Trustees to establish an amount available for distribution each year, based on a defined spending rate (percentage) of the investment asset base. Annually, the investment committee of the Foundation reviews the spending policy and makes a recommendation to the Board of Trustees. The defined spending rate for each of the years ended December 31, 2008 and 2007 was 5.0%.

Investment Pools

The Foundation maintains master investment accounts for its endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Reclassification

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash in financial institutions. From time to time throughout the year, cash balances can exceed the Federal Deposit Insurance Corporation (FDIC) coverage. Management believes that it is not exposed to any significant risk with respect to these accounts.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 3 LEASE AGREEMENT

The Foundation has entered into a lease agreement with the Munson Williams Proctor Arts Institute for their office space. The terms of the lease are from January 1, 2004 through December 31, 2013. Total rent expense for each of the years ended December 31, 2008 and 2007, was \$41,174 and \$40,785, respectively. The Foundation is subject to future minimum lease payments of \$39,270 for each of the next five years which amounts to monthly installments of \$3,272. In addition, the Foundation is subject to utility charges in excess of \$9,600 annually.

NOTE 4 PROPERTY

A detail of the Foundation's property is as follows:

	2008	2007
Property		
Furniture and Equipment	\$ 125,284	\$ 106,430
Leasehold Improvements	7,412	7,412
Total Property	132,696	113,842
Accumulated Depreciation	84,648	72,800
Property, Net	\$ 48,048	\$ 41,042

NOTE 5 PENSION PLAN

The Foundation participates in a defined contribution pension plan. Employees are eligible after being employed with the Foundation for one year and must be 21 years of age. Under this plan, the Foundation contributes 7% of the salary to an eligible employee's account with immediate vesting. The amount of contributions paid to the plan on behalf of the employees of the Foundation for 2008 and 2007 amounted to \$29,122 and \$25,176, respectively.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INVESTMENTS

Investments, subject to market value fluctuations, are stated at fair value and are summarized as follows as of December 31:

	<u>2008</u>		<u>2007</u>	
	Cost	Market	Cost	Market
Cash	\$ 2,217,692	\$ 2,217,692	\$ 5,445,348	\$ 5,445,348
U.S. Government Obligations	2,079,774	2,459,492	2,682,841	2,745,508
Investment Securities	67,746,569	57,127,168	58,729,963	65,392,322
Alternative Investments	5,255,746	2,956,618	6,317,659	7,486,054
Life Insurance	<u>38,064</u>	<u>38,064</u>	<u>43,786</u>	<u>43,786</u>
Total	<u>\$ 77,337,845</u>	<u>\$ 64,799,034</u>	<u>\$ 73,219,597</u>	<u>\$ 81,113,018</u>

Investment income consists of the following at December 31:

	<u>2008</u>	<u>2007</u>
Interest and Dividends	\$ 1,994,400	\$ 1,923,460
Realized Gains (Losses) on Investments	(1,372,793)	4,680,918
Unrealized (Losses) on Investments	<u>(20,440,628)</u>	<u>(476,065)</u>
	(19,819,021)	6,128,313
Investment Fees	<u>(532,225)</u>	<u>(635,440)</u>
Investment Income (Loss), Net	<u>\$ (20,351,246)</u>	<u>\$ 5,492,873</u>

The Foundation classifies and discloses its financial assets and liabilities in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (i.e. markets in which there are few transactions for the asset or liability), or inputs other than quoted prices that are observable for the asset or liability (i.e. interest rates, yield curves volatilities).

Level 3: Unobservable inputs that are not corroborated by market data. These values are generally estimated based upon methodologies utilizing significant inputs that are generally less observable from objective sources.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INVESTMENTS (Continued)

Based on the above criteria, the following fair value hierarchy table presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2008:

Investments	Total	Fair Value Measurements at Reporting Date Using the Above Criteria		
		(Level 1)	(Level 2)	(Level 3)
Cash	\$ 2,217,692	\$ 2,217,692	\$ 0	\$ 0
U.S. Government Obligations	2,459,492	0	2,449,717	9,775
Investment Securities	57,127,168	31,120,341	25,876,604	130,223
Alternative Investments	2,956,618	0	0	2,956,618
Life Insurance	38,064	0	0	38,064
Total	<u>\$ 64,799,034</u>	<u>\$ 33,338,033</u>	<u>\$ 28,326,321</u>	<u>\$ 3,134,680</u>

In addition, information about Level 3 assets and liabilities measured at fair value on a recurring basis must be reported. Both observable and unobservable inputs may be used to determine the fair value of positions that the Foundation has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (i.e., changes in market interest rates) and unobservable (i.e., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2008 are as follows:

Beginning Balance 01/01/2008	\$ 4,058,318
Total Realized/Unrealized Gains	(1,002,764)
Purchases, Issuances, and Settlements	3,894
Transfers In and/or (Out) of Level 3	<u>75,232</u>
Ending Balance 12/31/2008	<u>\$ 3,134,680</u>

Change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ 291,528</u>
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**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 7 ENDOWMENT NET ASSETS

The Foundation follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA.

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Trustees has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to earn a return of at least the change in the Consumer Price Index, plus 5.0%. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

Endowment net asset composition by type of fund as of December 31, 2008 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor Restricted Endowment Funds	\$ 0	\$ 24,242,574	\$ 14,509,670	\$ 38,752,244
Board Designated Endowment Funds	<u>18,171,304</u>	<u>0</u>	<u>0</u>	<u>18,171,304</u>
Total Funds	<u>\$ 18,171,304</u>	<u>\$ 24,242,574</u>	<u>\$ 14,509,670</u>	<u>\$ 56,923,548</u>

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 7 ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets as of December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment Net Assets, Beginning of Year	\$ 26,716,920	\$ 36,779,478	\$ 14,248,507	\$ 77,744,905
Contributions	1,638,580	566,906	261,163	2,466,649
Investment Income, Net	643,468	818,708	0	1,462,176
Appreciation, Net	(9,597,905)	(12,215,516)	0	(21,813,421)
Amounts Appropriated for Expenditure	<u>(1,229,759)</u>	<u>(1,707,002)</u>	<u>0</u>	<u>(2,936,761)</u>
Endowment Net Assets, End of Year	<u>\$ 18,171,304</u>	<u>\$ 24,242,574</u>	<u>\$ 14,509,670</u>	<u>\$ 56,923,548</u>

NOTE 8 COMMITMENT

The Foundation entered into a program related investment with the nonprofit organization, Growest, Inc. to help in the revitalization of the west side of Utica, New York. The commitment entails the promise to loan \$370,000 to Growest, Inc. using term loans to be advanced through December 31, 2008 for the purpose of financing down payments, renovations, and certain closing costs for homes purchased under the Home Ownership Program and the Home Rehabilitation Program of Growest, Inc. in the west side of Utica, New York. The Foundation's financial return will be at an interest rate of 5%. The maximum amount per mortgage re-loaned by Growest, Inc. with Foundation funds is \$17,000. The maximum term is 15 years. At December 31, 2008 and 2007, loans outstanding from Growest, Inc. were \$134,860 and \$150,838, respectively. The Foundation considers this to be fully collectible.

The loan agreement requires quarterly financial statements as well as audited annual financial statements to be submitted to the Foundation within specified time frames. As of the date of this report, Growest, Inc. had not submitted audited annual financial statements and, therefore, was in default of their loan agreements.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of those assets subject to donor imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. At December 31, 2008 and 2007, temporarily restricted net assets were \$24,242,574 and \$36,779,478, respectively.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of the Foundation are comprised of several funds established by donors. Only earnings generated from these funds may be used for grants while the principal remains inviolate. At December 31, 2008 and 2007, permanently restricted net assets amounted to \$14,509,670 and \$14,248,507, respectively.

NOTE 11 UNCONDITIONAL PROMISES TO GIVE

The Foundation has received unconditional promises to give representing the following at December 31, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Receivable in Less Than One Year	\$ 218,500	\$ 57,187
Receivable in One to Five Years	<u>0</u>	<u>10,000</u>
Total Unconditional Promises to Give	<u>\$ 218,500</u>	<u>\$ 67,187</u>

NOTE 12 FUTURE INTEREST IN SPLIT INTEREST AGREEMENT

A donor has established a charitable remainder unit trust naming the Foundation as the beneficiary. Under the terms of the split-interest agreement, the Foundation is to receive the fair market value of the trust, which was \$415,123 and \$409,301 at December 31, 2008 and 2007, respectively, for its unrestricted use upon the donor's death. At the time of the donor's death, the trust is to terminate. Based on the donor's life expectancy and using a 7.6% discount rate, the present value of future benefits expected to be received by the Foundation is estimated to be \$122,490 and \$196,939, at December 31, 2008 and 2007, respectively.

NOTE 13 NONCOMPLIANCE WITH DONOR RESTRICTIONS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. As of December 31, 2008, the fair value of assets related to the Foundation's endowment fund was \$5,012,000, which is \$1,320,000 less than the \$6,332,000 required by the donor.

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries	\$ 442,916	\$ 411,612
Payroll Taxes	37,274	35,836
Pension Expense	29,122	25,176
Other Employee Benefits	35,814	29,139
Annual Report and Newsletter	49,392	29,549
Development and Marketing	96,635	142,224
Employee Advertising Expense	950	928
Dues and Subscriptions	13,908	12,232
Fund Specific and Gift Acceptance Expenses	0	1,099
Office Supplies	12,256	11,616
Temporary Help	6,346	20
Filing Fees	1,525	1,525
Meeting Expense	4,564	4,505
Postage	5,182	5,523
Telephone	5,964	4,752
Insurance	10,565	10,497
Planned Gift Expense	17,364	18,318
Professional Fees	29,501	28,394
Rent	41,174	40,785
Service and Administration Contracts	29,683	27,917
Vehicle Expense	5,000	3,000
Staff training, Conferences and Seminars	21,689	18,689
Miscellaneous	869	(130)
Depreciation and Loss on Disposal of Assets	11,847	15,392
Agency Funds Expense Offset	(39,442)	(18,622)
Total	<u>\$ 870,098</u>	<u>\$ 859,976</u>

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

SCHEDULES OF GRANTS PAYABLE

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Albany College of Pharmacy	\$ 4,000	\$ 0
Arts Guild of Old Forge, Inc.	3,000	6,000
Arts Guild of Old Forge, Inc.	0	25,000
Arts Guild of Old Forge, Inc.	0	100,000
Bassett Health Care	0	50,000
Boy Scouts of America - Revolutionary Council	0	15,000
Catholic Charities of Herkimer County	33,600	0
Catholic Charities of Herkimer County	21,090	0
Central Association for the Blind & Visually Impaired	0	50,000
Charles T. Sitrin Health Care Center, Inc.	0	75,000
Children's Corner at Rome, Inc.	5,400	0
City of Rome, New York	0	25,000
City of Rome, New York	50,000	0
Colgate University	45,000	0
Community Transportation Services	29,235	0
Dolgeville Manheim Public Library	0	35,000
Faxton-St. Luke's Healthcare Foundation	50,000	0
Growest, Inc.	43,125	0
Growest, Inc.	37,500	37,500
Hand in Hand Early Childhood Center	0	70,000
Herkimer Area Resource Center	6,463	0
Herkimer Area Resource Center	0	16,218
Herkimer County Community College	17,000	0
Hope House	100,000	0
Hospice & Palliative Care, Inc.	50,000	50,000
Insight House Chemical Dependency Services, Inc.	0	55,790
Iona College	0	300
JCTOD Outreach, Inc.	2,734	0
Jewish Community Federation of the Mohawk Valley	0	50,000
Landmarks Society of Greater Utica, Inc.	0	125,000
Little Falls Historical Society	0	5,000
Mohawk Valley Community Action Agency, Inc.	25,000	25,000
Mohawk Valley Community College	3,000	0
Mohawk Valley Community College	25,000	0
Mohawk Valley Community College	0	250
Neighborhood Works Home Ownership Center	0	35,000
New Hartford Central School Foundation	10,000	0

(Continued)

**THE COMMUNITY FOUNDATION OF HERKIMER
AND ONEIDA COUNTIES, INC.**

SCHEDULES OF GRANTS PAYABLE

December 31, 2008 and 2007

(Continued)

	<u>2008</u>	<u>2007</u>
New Hartford Public Library	0	20,000
Northern Community Pop Warner Association	25,000	0
Nyack College	3,000	3,000
Paul Smith's College	0	4,650
Planned Parenthood Mohawk Hudson, Inc.	60,000	60,000
Players of Utica	75,000	75,000
Pratt MWP	4,000	0
Presbyterian Home of CNY, Inc.	75,000	75,000
Reserve Our Past, Inc.	1,360	0
Remsen-Steuben Historical Society	10,000	10,000
Rennselaer Polytechnic Institute	4,000	0
Rescue Mission of Utica	40,000	40,000
Rome Home	0	3,658
Rome Baseball Association, Inc.	10,817	0
Rome Memorial Hospital	75,000	75,000
Ronald McDonald House Charities of CNY	50,000	0
Senior Health Network, LLC	2,000	0
Sunset Neighborhood	0	500
The Family Nurturing Center of Central New York, Inc.	20,000	0
The Wild Center/Natural History Museum of the Adirondacks	30,025	0
The Women's Fund of Herkimer & Oneida Counties, Inc.	6,000	0
United Way of the Valley & Greater Utica Area, Inc.	0	36,000
Union College	700	0
Utica City School District	0	5,000
Utica College	0	3,448
Utica College	60,000	60,000
Utica College	0	5,000
Utica College	700	0
Utica Curling Club	10,000	10,000
Utica Public Library	0	100,000
Village of Frankfort Fire Department	0	5,000
Village of Herkimer (Frank J. Basloe Library)	10,000	0
Volunteer Center of the Mohawk Valley	10,900	31,191
YWCA of the Mohawk Valley	27,542	65,100
Total Grants Payable	<u>\$ 1,172,191</u>	<u>\$ 1,538,605</u>