

THE COMMUNITY
FOUNDATION OF
HERKIMER AND ONEIDA
COUNTIES, INC.

For the Year Ended
December 31, 2010

FINANCIAL STATEMENTS
AND SUPPLEMENTAL
SCHEDULES

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

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Certified Public Accountants & Consultants

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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, 2010 and 2009, 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, 2010 and 2009, 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 financial statements as a whole. The supplemental schedules, as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the 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 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 or to 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 financial statements as a whole.

D'Arcangelo & Co., LLP

June 14, 2011

Utica, New York

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash	\$ 988,392	\$ 1,007,363
Interest and Dividends Receivable	5,245	12,846
Promises to Give	46,640	444,237
Other Current Assets	<u>152,240</u>	<u>5,669</u>
Total Current Assets	<u>1,192,517</u>	<u>1,470,115</u>
Long-Term Assets		
Investments	91,993,806	81,671,272
Loans Receivable, Net	31,308	61,441
Charitable Remainder Trust	<u>129,083</u>	<u>130,682</u>
Total Long-Term Assets	<u>92,154,197</u>	<u>81,863,395</u>
Property, Net	<u>28,873</u>	<u>37,502</u>
Total Assets	<u>\$ 93,375,587</u>	<u>\$ 83,371,012</u>
Liabilities and Net Assets		
Current Liabilities		
Grants Payable	\$ 953,075	\$ 894,533
Accounts Payable and Accrued Expenses	105,512	82,052
Compensated Absences	<u>8,353</u>	<u>7,789</u>
Total Current Liabilities	<u>1,066,940</u>	<u>984,374</u>
Long-Term Liabilities		
Grants Payable	241,999	300,250
Agency Funds	<u>3,976,697</u>	<u>3,037,860</u>
Total Long-Term Liabilities	<u>4,218,696</u>	<u>3,338,110</u>
Net Assets		
Unrestricted	28,765,494	24,720,162
Temporarily Restricted	36,669,162	32,075,193
Permanently Restricted	<u>22,655,295</u>	<u>22,253,173</u>
Total Net Assets	<u>88,089,951</u>	<u>79,048,528</u>
Total Liabilities and Net Assets	<u>\$ 93,375,587</u>	<u>\$ 83,371,012</u>

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, 2010 and 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Support								
Gifts and Bequests	\$ 17,856	\$ 851,316	\$ 402,122	\$ 1,271,294	\$ 96,328	\$ 974,565	\$ 7,733,503	\$ 8,804,396
Investment Income, Net	4,811,889	6,884,082	0	11,695,971	6,248,519	8,803,492	0	15,052,011
Other Income	105,424	0	0	105,424	0	0	0	0
Net Assets Released from Restrictions								
Satisfaction of Program Restrictions	3,141,429	(3,141,429)	0	0	1,935,438	(1,945,438)	10,000	0
Total Revenue, Gains, and Support	<u>8,076,598</u>	<u>4,593,969</u>	<u>402,122</u>	<u>13,072,689</u>	<u>8,280,285</u>	<u>7,832,619</u>	<u>7,743,503</u>	<u>23,856,407</u>
Expenses								
Program Services								
Grants Approved	2,999,818	0	0	2,999,818	1,630,290	0	0	1,630,290
Program Sponsored Initiatives	46,373	0	0	46,373	53,520	0	0	53,520
Supporting Services								
Management and General	985,075	0	0	985,075	929,118	0	0	929,118
Total Expenses	<u>4,031,266</u>	<u>0</u>	<u>0</u>	<u>4,031,266</u>	<u>2,612,928</u>	<u>0</u>	<u>0</u>	<u>2,612,928</u>
Change in Net Assets	4,045,332	4,593,969	402,122	9,041,423	5,667,357	7,832,619	7,743,503	21,243,479
Net Assets, Beginning of Year	<u>24,720,162</u>	<u>32,075,193</u>	<u>22,253,173</u>	<u>79,048,528</u>	<u>19,052,805</u>	<u>24,242,574</u>	<u>14,509,670</u>	<u>57,805,049</u>
Net Assets, End of Year	<u>\$ 28,765,494</u>	<u>\$ 36,669,162</u>	<u>\$ 22,655,295</u>	<u>\$ 88,089,951</u>	<u>\$ 24,720,162</u>	<u>\$ 32,075,193</u>	<u>\$ 22,253,173</u>	<u>\$ 79,048,528</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, 2010 and 2009

	2010	2009
Cash Flows from (Used by) Operating Activities		
Increase in Net Assets	\$ 9,041,423	\$ 21,243,479
Adjustments for Noncash Transactions		
Depreciation	13,530	14,072
Realized (Gains) on Investments	(4,274,946)	(1,242,685)
Unrealized (Gains) on Investments	(6,300,177)	(12,511,183)
Present Value Change in CRT	(1,599)	8,192
Receipt of Marketable Securities	(333,620)	(2,606,765)
(Increase) Decrease in Assets		
Interest and Dividends Receivable	7,601	18,270
Loans Receivable, Net	30,133	73,419
Promises to Give	397,597	(225,737)
Other Current Assets	(146,571)	(2,423)
Increase (Decrease) in Liabilities		
Grants Payable	291	22,592
Accounts Payable and Accrued Expenses	23,460	(40,178)
Compensated Absences	564	3,280
Agency Funds	938,837	(3,472,585)
Net Cash Flows from (Used by) Operating Activities	(603,477)	1,281,748
Cash Flows from (Used by) Investing Activities		
Capital Expenditures	(4,900)	(3,525)
Proceeds from Redemptions of Investment Securities	11,659,851	10,236,032
Reinvested Interest and Dividends	(1,755,675)	(1,782,158)
Purchase of Investment Securities	(9,314,770)	(8,981,863)
Net Cash Flows from (Used by) Investing Activities	584,506	(531,514)
Net Increase (Decrease) in Cash	(18,971)	750,234
Cash, Beginning of Year	1,007,363	257,129
Cash, End of Year	\$ 988,392	\$ 1,007,363
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, and therefore, has no provision for Federal income taxes. However, the Foundation's Federal and State informational returns for the tax years 2007 through 2010 remain subject to examination by the respective taxing authority.

Investment Valuation and Income Recognition

Investments are recorded at fair value. Fair value is the price 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. See Note 7 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net investment income on the statement of activities includes the Foundation's unrealized gains and losses.

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. The Foundation considers promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is required.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, 2010 and 2009 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

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, 2010 and 2009, was \$40,115 and \$39,270, respectively. The Foundation is subject to future minimum lease payments of \$39,270 for each of the next three 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:

	2010	2009
Furniture and Equipment	\$ 133,711	\$ 128,810
Leasehold Improvements	7,412	7,412
Total Property	141,123	136,222
Accumulated Depreciation	112,250	98,720
Property, Net	\$ 28,873	\$ 37,502

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 eligible employee's salary to an account with immediate vesting. The amount of contributions paid to the plan on behalf of the employees of the Foundation for 2010 and 2009 amounted to \$37,241 and \$29,943, respectively.

NOTE 6 INVESTMENTS

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

	2010		2009	
	Cost	Market	Cost	Market
Short-Term Investments	\$ 1,082,354	\$ 1,082,354	\$ 7,499,968	\$ 7,499,968
Fixed Income	29,345,401	29,753,587	24,950,880	24,899,752
Equities	49,535,685	54,768,989	45,684,716	45,039,001
Alternatives	4,901,628	6,280,314	3,014,273	4,182,845
Life Insurance	108,562	108,562	49,706	49,706
Total	\$ 84,973,630	\$ 91,993,806	\$ 81,199,543	\$ 81,671,272

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INVESTMENTS (Continued)

The components of investment income consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Interest and Dividends	\$ 1,755,675	\$ 1,782,158
Realized Gains on Investments	4,274,946	1,242,685
Unrealized Gains on Investments	<u>6,300,177</u>	<u>12,511,183</u>
	12,330,798	15,536,026
Investment Fees	<u>(634,827)</u>	<u>(484,015)</u>
Investment Income, Net	<u>\$ 11,695,971</u>	<u>\$ 15,052,011</u>

NOTE 7 FAIR VALUE MEASUREMENTS

The fair value measurements authoritative literature establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2: Inputs to the valuation methodology include the following:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7 FAIR VALUE MEASUREMENTS (Continued)

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

Short-Term Investments: Valued at amortized cost which approximates fair value.

U.S. Government, Agency, and Other Government Securities: 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; bonds, notes, and government securities for which no sale was reported on that date are valued at the last reported bid price.

Corporate Debt Securities: Certain corporate debt securities are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds and listed securities for which no sale was reported on that date are valued at the last reported bid price.

Corporate Equity Securities: 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.

Mutual Funds: Valued at the net asset value of shares held by the Foundation at year end.

Private Market Equities: Investments in various limited partnerships and joint ventures which are classified as private market equities. The estimated fair value of the private equities is based on quarterly financial information received from investment advisors and/or general partners.

Life Insurance: State at estimated fair value as reported by the sponsoring insurance companies.

All assets have been valued using a market approach except for certain Level 3 assets which have been valued using a combination of market approach and income approach.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures established by the Foundation.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7 FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of December 31, 2010 and 2009:

Investments	Total	Fair Value Measurements at December 31, 2010		
		(Level 1)	(Level 2)	(Level 3)
Short-Term Investments	\$ 1,082,354	\$ 1,082,354	\$ 0	\$ 0
Fixed Income	29,753,587	20,848,173	8,905,414	0
Equities				
International	20,137,376	0	20,137,376	0
Domestic	34,631,613	18,460,555	16,171,058	0
Alternatives				
Absolute Return	3,821,225	0	0	3,821,225
Private Equity	43,087	0	0	43,087
Commodities	2,416,002	0	0	2,416,002
Life Insurance	108,562	0	0	108,562
Total	\$91,993,806	\$40,391,082	\$45,213,848	\$6,388,876

Investments	Total	Fair Value Measurements at December 31, 2009		
		(Level 1)	(Level 2)	(Level 3)
Short-Term Investments	\$ 7,499,968	\$ 7,499,968	\$ 0	\$ 0
Fixed Income	24,899,752	21,061,320	3,838,432	0
Equities				
International	15,833,578	0	15,833,578	0
Domestic	29,205,423	15,924,972	13,280,451	0
Alternatives				
Absolute Return	4,182,845	0	0	4,182,845
Life Insurance	49,706	0	0	49,706
Total	\$81,671,272	\$44,486,260	\$32,952,461	\$4,232,551

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7 FAIR VALUE MEASUREMENTS (Continued)

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2010 and 2009 are as follows:

	Absolute Return	Private Equity	Commodities	Life Insurance	Total
Balance, Beginning of Year	\$ 4,182,845	\$ 0	\$ 0	\$ 49,706	\$ 4,232,551
Net Realized/Unrealized Gains	415,542	(3,849)	438,153	47,214	897,060
Interest and Dividends	0	0	344	0	344
Investment Fees	(27,162)	(5,564)	(22,495)	0	(55,221)
Sales of Investments	(750,000)	0	0	0	(750,000)
Purchases of Investments	<u>0</u>	<u>52,500</u>	<u>2,000,000</u>	<u>11,642</u>	<u>2,064,142</u>
Balance, End of Year	<u>\$ 3,821,225</u>	<u>\$ 43,087</u>	<u>\$ 2,416,002</u>	<u>\$ 108,562</u>	<u>\$ 6,388,876</u>

The following table sets forth additional disclosures of the Organization's investments whose fair value is estimated using net asset value per share or its equivalent at December 31, 2010 and 2009:

<u>Description</u>	<u>Fair Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
	<u>2010</u>	<u>2009</u>			
Absolute Return	\$ 3,821,225	\$ 4,182,845	\$ 0	Annually with 1 or 3 Year Lock-Up Period	100 Days Written Notice
Private Equity	43,087	0	697,500	Liquid	N/A
Commodities	2,416,002	0	0	Monthly	30 Days Written Notice
Life Insurance	<u>108,562</u>	<u>49,706</u>	<u>0</u>	Liquid	N/A
Total	<u>\$ 6,388,876</u>	<u>\$ 4,232,551</u>	<u>\$ 697,500</u>		

The following provides a general description of the investment strategy for the above-noted investments:

Equities: Domestic and international equities, including international emerging market equities, are listed securities traded on public exchanges, at various market capitalizations, and are priced daily by the underlying managers. The Foundation accesses both domestic and international equities through institutional-class mutual funds, limited partnerships and separate accounts. Publicly traded domestic and international equities accessed through a limited partnership arrangement are contained in Level 2 investments.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7 FAIR VALUE MEASUREMENTS (Continued)

Alternatives

Absolute Return: This strategy has an objective to generate in most market environments an annualized return equal to or greater than the 91-day US Treasury Bill plus 5%, net of all costs. Absolute return strategies consist of capital structure arbitrage, hedged equity, special situations, distressed debt, and event arbitrage and employ derivatives, as described above.

Private Equity: This strategy of making equity capital available through a fund-of-funds structure whereby the underlying investments in the specific companies are not quoted on a public exchange. Private equity consists of qualified investors and institutional funds that make investments directly into private companies or conduct buyouts of public companies. Private equity investments are made with a long-term perspective, or generally about ten years in duration.

Commodities: This strategy has an objective of giving investors a diversified exposure to commodities, through investment in commodity futures and commodity-related equities. The strategy is actively managed on a long-only and unleveraged basis.

NOTE 8 ENDOWMENT NET ASSETS

The Foundation follows the New York's version of the Uniform Prudent Management of Institutional Funds Act (NYPMIFA) and its own governing documents. NYPMIFA allows institutions to spend endowment funds below their original dollar amount ("historic dollar value") without court approval or Attorney General review, if the institution's board of directors concludes that such spending is prudent.

NYPMIFA also provides standards for the prudent management and investment of institutional funds, the delegation of management and investment functions to outside advisors, and procedures for lifting or modifying donor-imposed restrictions on the management, expenditure or use of institutional funds.

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8 ENDOWMENT NET ASSETS (Continued)

The Foundation has adopted investment and spending policies 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 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, 2010 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	\$ 36,669,162	\$ 22,655,295	\$ 59,324,457
Board Designated Endowment Funds	<u>27,243,369</u>	<u>0</u>	<u>0</u>	<u>27,243,369</u>
 Total Funds	 <u>\$ 27,243,369</u>	 <u>\$ 36,669,162</u>	 <u>\$ 22,655,295</u>	 <u>\$ 86,567,826</u>

Endowment net asset composition by type of fund as of December 31, 2009 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	\$ 32,075,193	\$ 22,253,173	\$ 54,328,366
Board Designated Endowment Funds	<u>23,806,748</u>	<u>0</u>	<u>0</u>	<u>23,806,748</u>
 Total Funds	 <u>\$ 23,806,748</u>	 <u>\$ 32,075,193</u>	 <u>\$ 22,253,173</u>	 <u>\$ 78,135,114</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8 ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets as of December 31, 2010 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	\$ 23,806,748	\$ 32,075,193	\$ 22,253,173	\$ 78,135,114
Contributions	0	851,316	402,122	1,253,438
Investment Income, Net	4,732,327	6,884,082	0	11,616,409
Other Income	105,424	0	0	105,424
Amounts Appropriated for Expenditure	<u>(1,401,130)</u>	<u>(3,141,429)</u>	<u>0</u>	<u>(4,542,559)</u>
Endowment Net Assets, End of Year	<u>\$ 27,243,369</u>	<u>\$ 36,669,162</u>	<u>\$ 22,655,295</u>	<u>\$ 86,567,826</u>

Changes in endowment net assets as of December 31, 2009 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	\$ 18,171,304	\$ 24,242,574	\$ 14,509,670	\$ 56,923,548
Contributions	96,328	974,565	7,733,503	8,804,396
Investment Income, Net	401,415	883,776	0	1,285,191
Appreciation, Net	5,834,152	7,919,716	0	13,753,868
Amounts Appropriated for Expenditure	<u>(696,451)</u>	<u>(1,945,438)</u>	<u>10,000</u>	<u>(2,631,889)</u>
Endowment Net Assets, End of Year	<u>\$ 23,806,748</u>	<u>\$ 32,075,193</u>	<u>\$ 22,253,173</u>	<u>\$ 78,135,114</u>

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, 2010 and 2009, temporarily restricted net assets were \$36,669,162 and \$32,075,193, respectively.

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, 2010 and 2009, permanently restricted net assets amounted to \$22,655,295 and \$22,253,173, respectively.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11 UNCONDITIONAL PROMISES TO GIVE

The Foundation has received unconditional promises to give representing the following at December 31, 2010 and 2009, respectively:

	2010	2009
Receivable in Less Than One Year	\$ 46,640	\$ 444,237
Receivable in One to Five Years	0	0
Total Unconditional Promises to Give	\$ 46,640	\$ 444,237

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 \$248,481 and \$261,286 at December 31, 2010 and 2009, 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 \$129,083 and \$130,682, at December 31, 2010 and 2009, 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 accounting principles generally accepted in the United States of America, 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, 2010, the fair value of assets related to the Foundation's endowment fund was \$459,052, which is \$201,624 less than the \$660,676 required by the donor. As of December 31, 2009, the fair value of assets related to the Foundation's endowment fund was \$1,538,000, which was \$264,000 less than the \$1,802,000 required by the donor.

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2011, the date on which the financial statements were available to be issued.

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

SCHEDULES OF OPERATING EXPENSES

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Salaries	\$ 556,145	\$ 520,592
Payroll Taxes	44,317	40,794
Pension Expense	37,241	29,943
Other Employee Benefits	42,877	42,869
Annual Report and Newsletter	45,141	38,035
Development and Marketing	44,793	61,131
Dues and Subscriptions	16,822	14,623
Office Supplies	12,225	13,961
Temporary Help	115	4,176
Filing Fees	1,525	1,525
Meeting Expense	4,509	5,265
Postage	3,860	6,445
Telephone	5,972	6,219
Insurance	9,755	3,726
Professional Fees	30,468	35,278
Rent	40,115	39,270
Service and Administration Contracts	13,600	10,770
Computer Software, Licenses, and Maintenance	16,319	16,845
Vehicle Expense	5,287	5,240
Staff Training, Conferences and Seminars	42,411	4,643
Miscellaneous	2,441	799
Depreciation	13,530	14,072
Bad Debt Expense	25,000	50,000
Agency Funds Expense Offset	(29,393)	(37,103)
Total	<u>\$ 985,075</u>	<u>\$ 929,118</u>

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

SCHEDULES OF GRANTS PAYABLE

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Adirondack Railway Preservation Society, Inc.	\$ 95,582	\$ 0
Albany College of Pharmacy	2,000	3,000
Alfred University	0	4,500
American Red Cross of the Mohawk Valley	25,000	0
Arts Guild of Old Forge, Inc.	100,000	0
CAP-21	38,100	0
Catholic Charities of Herkimer County	0	50,000
City of Rome, New York	50,000	50,000
Clarkson University	4,000	0
Compeer of the Mohawk Valley, Inc.	15,362	0
Cornell University	32,000	0
DeSales Center, Inc.	0	21,900
Elderlife, Inc. DBA Parkway Senior Center	0	7,500
Food Bank of Central New York	50,000	0
Hamilton College	21,200	0
Hand in Hand Early Childhood Center	18,633	0
Health Friends, Inc.	0	6,500
Herkimer Area Resource Center	75,000	60,000
Herkimer County Community College Foundation	17,000	17,000
Herkimer County Community College Foundation	33,000	0
Herkimer County Humane Society	9,999	0
Hobart and William Smith College	0	4,500
Hope House	100,000	100,000
Hospice & Palliative Care, Inc.	25,000	50,000
Hospice & Palliative Care, Inc.	0	5,373
House of the Good Shepherd	0	200
House of the Good Shepherd	0	1,000
House of the Good Shepherd	33,000	0
John Bosco House, Inc.	50,000	0
Kelberman Center	0	37,500
Masonic Medical Research Laboratory	0	100,000
Mohawk Valley Community College	2,000	3,000
Mohawk Valley Community College	6,000	0
Nazareth College	3,000	7,500
New Hartford Rotary Club of District 7150	10,000	10,000
North Country Community College	0	1,000
Northern Community Pop Warner Association	25,000	25,000
Notre Dame Junior-Senior High School	10,000	0
Nyack College	1,000	3,000
Onondaga Community College	0	2,000
Planned Parenthood Mohawk Hudson, Inc.	60,000	60,000
Pratt MWP	0	4,000
Presbyterian Home of CNY, Inc.	0	30,000

(Continued)

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

SCHEDULES OF GRANTS PAYABLE

December 31, 2010 and 2009

(Continued)

	2010	2009
Remsen-Steuben Historical Society	10,000	10,000
Rensselaer Polytechnic Institute	2,000	3,000
Rensselaer Polytechnic Institute	4,000	4,000
Rescue Mission of Utica	0	40,000
Rescue Mission of Utica	0	1,000
Rochester Orimary Care Network, Inc.	48,947	0
Rome Art and Community Center	0	22,250
Rome Memorial Hospital	0	40,000
Ronald McDonald House Charities of CNY	50,000	50,000
Root Farm Foundation	0	200
Sculpture Space, Inc.	250	0
State University of New York - Maritime College	3,000	4,000
St. John Fisher College	6,000	12,000
SUNY at Albany	270	0
SUNY College at Oneonta	0	1,500
SUNY Institute of Technology, Utica-Rome	0	15,000
The Family Nurturing Center of Central New York, Inc.	0	4,703
The Family Nurturing Center of Central New York, Inc.	14,750	0
The Wild Center/Natural History Museum of the Adirondacks	0	30,025
The Women's Fund of Herkimer & Oneida Counties, Inc.	2,000	4,000
University of Rhode Island	4,000	0
University of Texas - San Antonio	9,000	12,000
USC Foundation	20,000	30,000
Utica Center for Development	3,521	26,760
Utica Center for Development	16,148	0
Utica Center for Development	49,492	0
Utica College	0	100,000
Utica College	0	30,000
Utica College	0	1,000
Utica College	0	1,000
Utica College	0	1,500
Utica College	10,000	0
Utica Curling Club	0	10,000
Utica Public Library	0	31,250
Village of Prospect	0	15,000
Volunteer Center of the Mohawk Valley	820	10,900
Wethersfield Historical Preservation Society	29,000	0
YWCA of the Mohawk Valley	0	19,222
Total Grants Payable	\$ 1,195,074	\$ 1,194,783