McGladrey & Pullen
Certified Public Accountants

# North Carolina Community Foundation, Inc.

Financial Report
03.31.2010

Contents

McGladrey & Pullen
Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors
North Carolina Community Foundation, Inc.
Raleigh, North Carolina

We have audited the accompanying statements of financial position of North Carolina Community Foundation, Inc. (the "Foundation") as of March 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 Foundation's management. Our responsibility is to express an opinion of 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 North Carolina Community Foundation, Inc. as of March 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.

McGladrey & Pullen, LLP

Raleigh, North Carolina
August 4, 2010

North Carolina Community Foundation, Inc.

Statements of Financial Position
March 31, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash | $ 4,819,371 | $ 593,138 |
| Investments (Notes 2 and 8) | 117,483,015 | 84,516,760 |
| Assets held for sale (Notes 3 and 8) | 1,414,200 | 553,200 |
| Contributions receivable, net (Notes 4, 14 and 15) | 4,230,270 | 488,580 |
| Beneficial interests in split-interest agreements (Notes 8 and 15) | 2,345,300 | 379,650 |
| Prepaid expenses and other assets | 209,496 | 256,097 |
| Property, equipment and leasehold improvements, net (Note 5) | 275,734 | 305,425 |
| Total assets | $ 130,777,386 | $ 87,092,850 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 448,778 | $ 530,008 |
| Obligations under split interest agreements | 91,280 | 95,462 |
| Agency funds payable (Note 7) | 15,232,579 | 11,543,135 |
| Total liabilities | 15,772,637 | 12,168,605 |
| Commitments (Notes 6 and 13) | | |
| Net assets: | | |
| Unrestricted (Note 12): | | |
| Donor advised | 48,902,205 | 31,021,842 |
| Designated | 19,561,465 | 12,847,588 |
| Scholarship | 12,696,040 | 9,578,629 |
| Field of interest | 9,961,657 | 7,993,402 |
| Undesignated | 10,383,229 | 6,379,654 |
| Total unrestricted | 101,504,596 | 67,821,115 |
| Temporarily restricted (Notes 9 and 12) | 7,592,782 | 1,439,252 |
| Permanently restricted (Notes 11 and 12) | 5,907,371 | 5,663,878 |
| Total net assets | 115,004,749 | 74,924,245 |
| Total liabilities and net assets | $ 130,777,386 | $ 87,092,850 |

See Notes to Financial Statements.

North Carolina Community Foundation, Inc.

Statements of Activities
Years Ended March 31, 2010 and 2009

| | 2010 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues, gains (losses) and other support: | | | | |
| Contributions (Notes 14 and 15) | $ 14,901,819 | $ 6,005,873 | $ 243,493 | $ 21,151,185 |
| Less amounts received on behalf of others (Notes 7 and 15) | (759,768) | - | - | (759,768) |
| Net contributions | 14,142,051 | 6,005,873 | 243,493 | 20,391,417 |
| Interest and other investment income | 2,658,513 | 105,819 | - | 2,764,332 |
| Realized and unrealized gains (losses) | 29,178,476 | 581,877 | - | 29,760,353 |
| Adjust amounts from agency funds (Note 7) | (3,778,586) | - | - | (3,778,586) |
| Net investment income and gains (losses) | 28,058,403 | 687,696 | - | 28,746,099 |
| Other income | 167,034 | - | - | 167,034 |
| Total revenues, gains (losses) and other support | 42,367,488 | 6,693,569 | 243,493 | 49,304,550 |
| Net assets released from donor restrictions (Note 10) | 540,039 | (540,039) | - | - |
| Expenses: | | | | |
| Programs: | | | | |
| Grants and scholarships | 5,750,772 | - | - | 5,750,772 |
| Less grants and scholarships made on behalf of others (Note 7) | (642,042) | - | - | (642,042) |
| Grants and scholarships expense | 5,108,730 | - | - | 5,108,730 |
| Grant making and fund holder support (Note 7) | 2,630,499 | - | - | 2,630,499 |
| Total program services | 7,739,229 | - | - | 7,739,229 |
| Fundraising and development (Note 7) | 403,675 | | - | 403,675 |
| Administrative | 879,142 | | - | 879,142 |
| Total expenses | 9,022,046 | - | - | 9,022,046 |
| Change in net assets before other changes | 33,345,442 | 6,693,569 | 243,493 | 40,282,504 |
| Other changes: | | | | |
| Write down of real estate held for sale (Notes 3 and 8) | (202,000) | - | - | (202,000) |
| Net asset reclassification based on change in law (Note 12) | - | - | - | - |
| Net asset transfers (Note 7) | - | - | - | - |
| Change in net assets | 33,683,481 | 6,153,530 | 243,493 | 40,080,504 |
| Net assets: | | | | |
| Beginning | 67,821,115 | 1,439,252 | 5,663,878 | 74,924,245 |
| Ending | $ 101,504,596 | $ 7,592,782 | $ 5,907,371 | $ 115,004,749 |

See Notes to Financial Statements.

| 2009 | | | |
|---|---|---|---|
| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| $ 8,904,611 | $ 448,950 | $ - | $ 9,353,561 |
| (1,642,546) | - | - | (1,642,546) |
| 7,262,065 | 448,950 | - | 7,711,015 |
| 3,336,937 | - | - | 3,336,937 |
| (33,261,363) | (108,588) | - | (33,369,951) |
| 3,897,386 | - | - | 3,897,386 |
| (26,027,040) | (108,588) | - | (26,135,628) |
| 192,415 | - | - | 192,415 |
| (18,572,560) | 340,362 | - | (18,232,198) |
| 1,148,092 | (1,148,092) | - | - |
| 4,638,150 | - | - | 4,638,150 |
| (876,963) | - | - | (876,963) |
| 3,761,187 | - | - | 3,761,187 |
| 3,063,530 | - | - | 3,063,530 |
| 6,824,717 | - | - | 6,824,717 |
| 366,740 | - | - | 366,740 |
| 1,247,622 | - | - | 1,247,622 |
| 8,439,079 | - | - | 8,439,079 |
| (25,863,547) | (807,730) | - | (26,671,277) |
| (49,050) | - | - | (49,050) |
| (325,390) | 325,390 | - | - |
| 300,238 | - | - | 300,238 |
| (25,937,749) | (482,340) | - | (26,420,089) |
| 93,758,864 | 1,921,592 | 5,663,878 | 101,344,334 |
| $ 67,821,115 | $ 1,439,252 | $ 5,663,878 | $ 74,924,245 |

North Carolina Community Foundation, Inc.

Statements of Cash Flows
Years Ended March 31, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Change in net assets | $ 40,080,504 | $ (26,420,089) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 35,966 | 31,433 |
| Donation of real estate | (1,361,000) | (317,000) |
| Donation of ownership interest in a limited liability partnership | - | (25,001) |
| Write down of ownership interest a limited liability partnership | 23,375 | - |
| Net realized and unrealized (gains) losses on investments | (26,332,049) | 29,059,911 |
| Contributions of beneficial interest in charitable lead trusts | (1,970,000) | - |
| Contributions restricted for long-term investment | (243,493) | - |
| Change in value of split-interest agreements | 4,350 | 185,670 |
| Bad debt expense | - | 44,310 |
| Write down of real property held for sale | 202,000 | 49,050 |
| Loss on the sale of real property | 82,333 | - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Contributions receivable | (3,741,690) | 388,192 |
| Prepaid expenses and other assets | 46,601 | (88,771) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (81,230) | 102,295 |
| Agency funds payable | 3,689,444 | (3,669,613) |
| Net cash provided by (used in) operating activities | 10,435,111 | (659,613) |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (6,275) | (35,354) |
| Purchase of investments | (38,093,722) | (42,694,619) |
| Proceeds from sale of investments | 31,433,526 | 43,627,641 |
| Proceeds from sale of real property | 215,667 | - |
| Proceeds from repayment of mortgage notes receivable | 2,615 | 2,367 |
| Net cash provided by (used in) investing activities | (6,448,189) | 900,035 |
| Cash Flows From Financing Activities | | |
| Payment of obligations under split interest agreements | (4,182) | (2,417) |
| Proceeds from contributions restricted for investment in permanent endowment | 243,493 | - |
| Net cash provided by (used in) financing activities | 239,311 | (2,417) |
| Net increase in cash | 4,226,233 | 238,005 |
| Cash: | | |
| Beginning | 593,138 | 355,133 |
| Ending | $ 4,819,371 | $ 593,138 |

See Notes to Financial Statements.

## Note 1. Nature of Organization and Summary of Significant Accounting Policies

The North Carolina Community Foundation, Inc. (the "Foundation") was established in 1988 as a nonprofit corporation and is a statewide organization created to build capacity through philanthropy. The Foundation administers over 1,000 component funds and provides long-term support of a broad range of charitable needs, nonprofit organizations and scholarships across North Carolina, with an emphasis on underserved areas.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: In preparing the financial statements, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions. The Foundation's policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets when the restrictions are met in the same reporting period as the income recognized.

While certain donors and fund holders may make recommendations, the Foundation's Board retains authority to exercise variance power to modify any restriction or condition on the distribution of assets. Each unrestricted fund is established by a donor and recorded as a separate component fund in one of the following classifications:

- Donor advised – fund holder annually recommends distributions to specific qualified charities.
- Designated – fund holder suggests specific eligible organizations to receive charitable grants in the fund agreement. If a designated organization ceases to exist or if the Foundation's board votes that support of the organization is no longer necessary or is inconsistent with the needs in the community, the Foundation works with the fund holder to identify a similar organization to maintain the spirit of the original charitable intent.
- Scholarship – fund holder proposes guidelines for awards to enable students to pursue academic goals.
- Field of interest – fund holder proposes a broad area of charitable interest, such as a geographic region, youth, the arts, education, etc.
- Undesignated – fund holder provides the Foundation with ongoing operational support to meet changing needs across North Carolina.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the earnings on related investments for general or specific charitable purposes.

## Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

Valuation of investments: Investments are stated 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 8 for a discussion of fair value measurements.

Contributions and donor-imposed restrictions: Contributions are recognized as revenue when received or unconditionally promised. The Foundation reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated asset. Most contributions, including those with donor-imposed stipulations, are subject to the variance power established by the Foundation. This variance power provides the Foundation's Board of Directors with the ability to modify donor stipulations that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of this variance power, most contributions are classified as unrestricted for financial statement purposes. The Foundation reports gifts of cash and donated assets as temporarily restricted contributions if they are received with donor stipulations that limit the use of the donated assets to a specific purpose or future time period. When a donor 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 statements of activities as net assets released from restrictions. The Foundation initially recognizes donated assets, including gifts of real estate and stock, at fair value on the date of the gift.

Cash: At times, the Foundation maintains deposits with financial institutions in amounts that are in excess of the federal depository insurance limit, but management believes that such deposits pose no significant credit risk.

Securities transactions, interest and dividends: Securities transactions are recorded on a trade-date basis. Realized gains and losses on securities transactions, determined on a specific identification basis, and the difference between the cost and the fair value of open investments are included as realized and unrealized gains (losses) in the accompanying statement of activities. Interest and other investment income are recognized on the accrual basis. At each month-end, investment income is allocated to all funds using the daily average balance of the assets for each component fund. Other assets earn investment income based upon earnings of the specific investments held.

Interest and dividends and net realized and unrealized gains (losses) are generally recorded as unrestricted revenue because the related investments on which the revenue is earned are classified as unrestricted assets.

Investment and other asset management fees for the years ended March 31, 2010 and 2009 totaled $ 379,697 and $396,012, respectively. These fees are reflected within grant making and fund holder support on the Foundation's statement of activities.

Certain donors contribute beneficiary interests in life insurance policies to the Foundation. These gifts are recorded at current cash surrender values less any outstanding loans.

## Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Assets held for sale: Assets held for sale includes land and buildings which were donated and have been recognized at estimated fair value as contribution revenue in the year of donation. Assets held for sale are reported at the lower of net carrying value or estimated fair value less selling costs. The Foundation uses the assistance of real estate agents to sell donated land and property.

Contributions receivable: Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recognized at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

The Foundation provides an allowance for uncollectible contributions equal to the estimated uncollectible amounts. Management's estimate is based on historical charge-offs, factors related to specific donors' ability to pay, donor giving history, and current economic trends.

Conditional promises to give are not recognized as revenue until the donors' conditions are substantially met. From time-to-time, the Foundation may become aware of certain donors having named the Foundation in their wills. These testamentary gifts are treated as conditional promises to give and not recognized as revenue until a probate court finalizes a decedent's will, declares the will valid, and authorizes distribution of assets to the Foundation. If the value of the bequest is not known, or cannot be reasonably estimated, the contribution receivable is not recorded until amounts can be estimated with reasonable accuracy.

Property, equipment and leasehold improvements: Purchased property, equipment and leasehold improvements are initially recorded at cost and capitalized when the cost exceeds $1,000. Those assets which are donated are initially recorded at fair value at the date of receipt. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 31.5 years. Leasehold improvements are depreciated over the shorter of the useful life of the assets or the term of the lease. Once an asset meets the criteria to be classified as held for sale, the Foundation discontinues depreciation on that asset.

The Foundation evaluates property, equipment, and leasehold improvements for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of these assets is based on an estimate of the undiscounted future cash flows resulting from the use of the assets and their eventual disposition. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

Grants and scholarships: The Foundation receives grant and scholarship recommendations from donors on a regular basis. Only recommendations that have been unconditionally approved by the Foundation as of the end of the year and not yet paid are recorded as grants and scholarships payable. Multiyear grants and scholarships are expensed in the year in which the grant or scholarship is approved, although the amounts approved may be payable over several years. Recommendations that are not unconditionally approved are not recorded until paid or they become unconditional.

## Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Split interest agreements: Certain donors have entered into trust or other arrangements under which the Foundation is to receive benefits that are shared with other beneficiaries. Only irrevocable split-interest agreements are reported in the accompanying statements, which are summarized as follows:

Charitable Lead Trusts – The Foundation has been named as a beneficiary in charitable lead trusts in which the Foundation is not the trustee. When the Foundation is notified of an irrevocable trust, contribution revenue and the related receivable under the trust agreement is recorded at the present value of management's estimate of expected future cash receipts. The discount rates used in determining the present value of the expected future payments are based on applicable Internal Revenue Service discount rates. Changes in the fair value of contributions receivable from charitable lead trusts are recognized in realized and unrealized gains (losses) in the accompanying statements of activities.

Gift Annuities and Charitable Remainder Trusts – The Foundation has been named as a beneficiary in certain gift annuities and charitable remainder trusts in which the Foundation is the trustee. When the Foundation receives assets in connection with an annuity or charitable remainder trust, the assets are recorded at fair value while a liability is recorded at the present value of the expected future payments to be made to the beneficiary. The discount rate and actuarial assumptions used in determining the present value of the expected future payments are based on applicable Internal Revenue Service discount rates and life expectancy assumptions.

Beneficial Interest in Charitable Remainder Trusts – The Foundation has been named as a beneficiary in certain charitable remainder trusts in which an independent third party serves as trustee. When the Foundation is notified of an irrevocable charitable remainder trust, contribution revenue and a related receivable under the trust agreement is recorded at the present value of management's estimate of future expected cash receipts (remainder interests). The discount rates used in determining the present value of the expected future payments are based on applicable Internal Revenue Service discount rates. Amounts reported approximate fair value due to the nature of the discounts used to determine present value of estimated future cash receipts. Change in the fair value of contributions receivable from beneficial interest in charitable remainder trusts are recognized in realized and unrealized gains (losses) in the accompanying statements of activities.

Agency funds payable: Agency funds are funds in which the Foundation holds assets transferred to the Foundation by a not-for-profit organization that specifies itself as the beneficiary of the transferred assets. Asset transfers to these funds (and related distributions and expenses) are not reflected in change in net assets in the Foundation's statement of activities. Assets are included in the statements of financial position and a corresponding liability is recorded to reflect the intent that the assets will eventually be transferred to the beneficiary. These amounts are reported as agency funds payable at March 31, 2010 and 2009.

Fair value disclosures: The carrying amounts of all financial instruments approximate fair value.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities, and accordingly, certain costs have been allocated, based on management's judgment, among the programs and supporting services benefited.

## Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income taxes: The Foundation is a public charity and is exempt from federal income taxation as defined by Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code and is generally exempt from state income taxes under the provisions of the North Carolina Nonprofit Corporation Act. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

The Financial Accounting Standards Board ("FASB") issued new guidance on accounting for uncertainty in income taxes. The Foundation adopted this new guidance during the year ended March 31, 2010. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Subsequent events: The Foundation has evaluated its subsequent events (events occurring after March 31, 2010) through August 4, 2010, which represents the date the financial statements were available to be issued.

Recent accounting pronouncements: In June 2009, the FASB issued *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the "Codification") to indicate changes to the Generally Accepted Accounting Principles ("GAAP") hierarchy. Since the issuance of the Codification, the FASB is not issuing new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it is issuing Accounting Standards Updates, which are not authoritative in their own right but serve to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the changes to the Codification. On the effective date of the Codification, the FASB Accounting Standards Codification became the single source of authoritative U.S. accounting and reporting standards applied by nongovernmental entities, except for rules and interpretive releases of the United States Securities and Exchange Commission ("SEC") under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. The Codification is effective for financial statements issued for periods ended after September 15, 2009. The Foundation adopted the Codification in its 2010 financial statements.

In May 2009, the FASB issued guidance under Accounting Standards Codification ("ASC") 855, *Subsequent Events* (formerly referenced as SFAS No. 165, *Subsequent Events*). FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. Specifically, FASB ASC 855 provides clarity around the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements, and the disclosure that an entity should make about events or transactions that occurred after the statement of financial position date. FASB ASC 855 is effective for financial reporting periods ended after June 15, 2009 and is to be applied prospectively. The Foundation has adopted the new pronouncement and made the necessary disclosures relating to subsequent events.

## Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In September 2006, the FASB issued guidance under ASC 820, *Fair Value Measurements and Disclosures* (formerly referenced as SFAS No. 157, *Fair Value Measurements)*. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures for measuring fair value. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Foundation adopted SFAS No. 157 for the fiscal year beginning April 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application was permitted until the fiscal year beginning April 1, 2009. The Foundation adopted the remaining provisions of this standard with no effect on its financial statements.

The Foundation adopted the provisions of FSP FAS 157-4, codified in ASC 820, related to certain debt and equity investments by adding additional details to the fair value measurements disclosures.

In September 2009, the FASB released accounting guidance on estimating the fair value of an entity's investment when the investment does not have a readily determinable fair value. It permits the use of the investment's net asset value as a practical expedient to determine fair value. This guidance also required additional disclosure of the attributes of these investments such as: (i) the nature of any restrictions on the reporting entity's ability to redeem its investment; (ii) unfunded commitments; and (iii) investment strategies of the investees. This guidance is effective for periods ending after December 15, 2009. The adoption did not have a material impact on the Foundation's financial condition or results of operations and all applicable disclosures are included in these financial statements.

In January 2010, the FASB released accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and 2 and reasons for transfers, (ii) disclosure, on a gross basis, purchases, sales, issuances and net settlements within Level 3 measurements, (iii) disclosures by class of assets and liabilities, and (iv) a description of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The adoption of this guidance is reflected, where applicable, in these financial statements and the guidance yet to be adopted is not expected to materially impact the Foundation's current fair value disclosures.

## Note 2. Investments

The fair value of investments by type at March 31, 2010 and 2009 is as follows:

| | 2010 | 2009 |
|---|---|---|
| Cash equivalents | $ 4,100,596 | $ 3,815,053 |
| Equities | 80,005,072 | 53,308,107 |
| Fixed income | 33,286,899 | 27,282,049 |
| Mortgage notes receivable | 60,560 | 63,175 |
| Limited liability partnership interests | 29,888 | 48,376 |
| | $ 117,483,015 | $ 84,516,760 |

The Foundation invests in a combination of equity securities, fixed income securities, money market funds and other investment securities. Investments are exposed to various risks, such as interest rate, credit, and market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the Foundation's investment balance reported in the statements of financial position.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Theoretically, the Foundation's exposure is equal to the value of the securities purchased.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Concentrations of credit risk: The Foundation is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Foundation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties and which provide general indemnifications in connection with their activities as an agent of, or providing services to, the Foundation. The Foundation's maximum exposure under these agreements is unknown, as this may involve future claims that could be made against the Foundation and have not yet occurred. The Foundation expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications.

## Note 3. Assets Held for Sale

At March 31, 2010, the Foundation holds interests in various parcels of donated land with an estimated fair value of $1,414,200, net of estimated selling costs. The Foundation expects to sell the assets within one year. During the year ended March 31, 2010, the Foundation recorded a write-down of $202,000 related to estimated fair value of individual parcels of property. The amounts reported in the accompanying statements of financial position include management's estimates of fair market value. Such estimates involve an analysis of various real estate market information, including the availability of contemporaneous appraisals.

Subsequent to March 31, 2010, the Foundation sold a parcel of property held for sale. Sales proceeds for this property were $262,046 which resulted in a gain of $6,846.

## Note 4. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions expected to be received in periods greater than one year are recorded at the discounted present value of future cash flows.

Unconditional promises to give at March 31, 2010 and 2009 are expected to be realized in the following periods:

| | 2010 | 2009 |
|---|---|---|
| In one year or less (Note 15) | $ 3,837,365 | $ 219,096 |
| Between one and five years | 427,730 | 290,234 |
| Greater than five years | 7,417 | 11,000 |
| | 4,272,512 | 520,330 |
| Less: | | |
| Unamortized discount | 33,242 | 22,750 |
| Allowance for uncollectible contributions | 9,000 | 9,000 |
| | $ 4,230,270 | $ 488,580 |

## Note 5. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements at March 31, 2010 and 2009 consisted of the following:

| | 2010 | 2009 |
|---|---|---|
| Land and building | $ 238,918 | $ 238,918 |
| Leasehold improvements | 69,585 | 67,784 |
| Office furniture and equipment | 228,388 | 226,888 |
| Computer equipment and software | 203,935 | 202,497 |
| | 740,826 | 736,087 |
| Less accumulated depreciation | 465,092 | 430,662 |
| | $ 275,734 | $ 305,425 |

## Note 6. Leases

The Foundation leases office equipment and administrative facilities under operating leases. Total lease expense for the years ended March 31, 2010 and 2009 was $171,624 and $171,983, respectively. The lease agreements require the Foundation to pay their related repairs, maintenance, utilities and insurance. Future minimum lease payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more at March 31, 2010 are as follows:

| Year Ending March 31, | Amount |
|---|---|
| 2011 | $ 178,952 |
| 2012 | 163,797 |
| 2013 | 166,734 |
| 2014 | 170,047 |
| 2015 | 173,415 |
| Thereafter | 296,415 |
| | $ 1,149,360 |

## Note 7. Agency Funds Payable

Agency funds payable activity for the years ended March 31, 2010 and 2009 is as follows:

| | 2010 | 2009 |
|---|---|---|
| Amounts received on behalf of others | $ 759,768 | $ 1,642,546 |
| Interest and other investment income | 326,907 | 431,480 |
| Realized and unrealized gains (losses) | 3,451,679 | (4,328,866) |
| Total increases (decreases) | 4,538,354 | (2,254,840) |
| Grants and scholarships | 642,042 | 876,963 |
| Grant making and fund holder support | 206,868 | 210,282 |
| Fundraising and development | - | 27,290 |
| Total decreases | 848,910 | 1,114,535 |
| Change in agency funds payable before net asset transfers | 3,689,444 | (3,369,375) |
| Net asset transfers | - | (300,238) |
| Change in agency funds payable | 3,689,444 | (3,669,613) |
| Agency funds payable: | | |
| Beginning | 11,543,135 | 15,212,748 |
| Ending | $ 15,232,579 | $ 11,543,135 |

During the year ended March 31, 2009, the Foundation worked with certain donors to modify their agreements. As a result of the 2009 modifications, the April 1, 2008 balance of certain funds previously reported as agency funds was reclassified to unrestricted net assets. These reclassifications are reflected as a net asset transfer of $300,238 on the accompanying statement of activities for the year ended March 31, 2009. There were no reclassifications during the year ended March 31, 2010.

## Note 8. Fair Value Measurements

FASB ASC 820 established a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value hierarchy is as follows:

- Level 1 Inputs – unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2 Inputs – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include 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, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, discount values, volatilities, prepayment speeds, credit risks, etc.), or inputs that are derived principally from or corroborated by market data correlation or other means.

- Level 3 Inputs – unobservable inputs for determining the fair values of assets or liabilities that would reflect an entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities.

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Investments:

Cash equivalents: Cash equivalents and money market funds are in active markets and classified within Level 1 of the valuation hierarchy. Certificates of deposit are classified within Level 2 of the valuation hierarchy.

Equities: Equity securities and equity mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. The Foundation also invests in certain proprietary mutual funds for the U.S. large-cap, mid-cap, and small-cap asset styles with a regional bank. These investments are classified within Level 2 of the hierarchy. The Foundation also holds non-voting shares of common stock of a regional bank and this security is also classified within Level 2 of the hierarchy.

Fixed income: Investments in debt securities include corporate bonds and funds and blended fixed income mutual funds that are either exchange-traded and/or valued at last sales price. If there is no sale and the market is considered active, these securities are valued at the mean of the last bid and asked prices on such exchange. These fixed income investments are classified within Level 1 of the valuation hierarchy. The Foundation also invests in certain proprietary fixed income mutual funds with a regional bank; these investments are classified as Level 2 within the hierarchy. Government and government agency obligation bonds are classified within Level 2, as exact securities may not be traded on a daily basis.

## Note 8. Fair Value Measurements (Continued)

Mortgage note receivable: The Foundation holds a promissory note that is sufficiently collateralized by real property in an active market. The amounts receivable under the promissory note are classified within Level 2 of the valuation hierarchy.

Investments in limited liability partnerships: Ownership interests in limited liability partnerships are typically valued using the net asset valuations provided by the partnerships and information provided by professional appraisers. Investments in limited liability partnerships are included in Level 2 of the valuation hierarchy.

Beneficial interests in split-interest agreements: The Foundation has been named as a beneficiary in charitable lead and remainder trusts in which the Foundation is not the trustee. Amounts reported approximate fair value. Under the guidelines set forth in the FASB ASC 820 fair value hierarchy, the charitable lead and remainder trust assets are classified as Level 3 inputs due to the nature of the discounts used to determine present value of estimated future cash flows.

Assets held for sale: The fair value of assets held for sale is categorized as Level 3 in the fair value hierarchy as the Foundation does not have access to quoted market prices. The fair value was determined using data including, but not limited to, information received from a certified residential appraiser and comparable sales of similar assets.

*Assets Measured at Fair Value on a Recurring Basis*

The following tables summarize financial assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of March 31, 2010 and 2009:

| | 2010 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Investments: | | | | |
| Cash equivalents | $ 4,100,596 | $ - | $ - | $ 4,100,596 |
| Equities: | | | | |
| US Large Cap | 31,673,126 | 11,692,100 | - | 43,365,226 |
| US Mid Cap | 16,078,048 | 2,801,757 | - | 18,879,805 |
| US Small Cap | 3,718,970 | 3,934,100 | - | 7,653,070 |
| International Developed | 8,201,871 | - | - | 8,201,871 |
| Emerging Markets | 1,905,100 | - | - | 1,905,100 |
| Total Equities | 61,577,115 | 18,427,957 | - | 80,005,072 |
| Fixed income: | | | | |
| US Government and Agencies | - | 3,604,881 | - | 3,604,881 |
| Corporate | 3,274,795 | - | - | 3,274,795 |
| Blended Bond Funds | 10,210,600 | 16,196,623 | - | 26,407,223 |
| Total Fixed income | 13,485,395 | 19,801,504 | - | 33,286,899 |
| Mortgage notes receivable | - | 60,560 | - | 60,560 |
| Limited liability partnership interests | - | 29,888 | - | 29,888 |
| Total investments | 79,163,106 | 38,319,909 | - | 117,483,015 |
| Beneficial interests in split-interest agreements | - | - | 2,345,300 | 2,345,300 |
| Total financial assets | $ 79,163,106 | $ 38,319,909 | $ 2,345,300 | $ 119,828,315 |

## Note 8. Fair Value Measurements (Continued)

| | 2009 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Investments: | | | | |
| Cash equivalents | $ 3,815,053 | $ - | $ - | $ 3,815,053 |
| Equities: | | | | |
| US Large Cap | 21,025,734 | 9,232,161 | - | 30,257,895 |
| US Mid Cap | 9,956,897 | 1,985,500 | - | 11,942,397 |
| US Small Cap | 2,090,315 | 2,721,900 | - | 4,812,215 |
| International Developed | 5,853,790 | - | - | 5,853,790 |
| Emerging Markets | 441,810 | - | - | 441,810 |
| Total Equities | 39,368,546 | 13,939,561 | - | 53,308,107 |
| Fixed income: | | | | |
| US Government and Agencies | - | 2,635,271 | - | 2,635,271 |
| Corporate | 4,170,303 | - | - | 4,170,303 |
| Blended Bond Funds | 6,726,949 | 13,749,526 | | 20,476,475 |
| Total Fixed income | 10,897,252 | 16,384,797 | - | 27,282,049 |
| Mortgage notes receivable | - | 63,175 | - | 63,175 |
| Limited liability partnership interests | - | 48,376 | - | 48,376 |
| Total investments | 54,080,851 | 30,435,909 | - | 84,516,760 |
| Beneficial interests in split-interest agreements | - | - | 379,650 | 379,650 |
| Total financial assets | $ 54,080,851 | $ 30,435,909 | $ 379,650 | $ 84,896,410 |

## Note 8. Fair Value Measurements (Continued)

The following tables reconcile the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended March 31, 2010 and 2009:

| | 2010 |
|---|---|
| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) |
| | Beneficial Interests in Split-interest Agreements |
| Beginning balance | $ 379,650 |
| Contributions | 1,970,000 |
| Change in value of split-interest agreements | (4,350) |
| Ending balance | $ 2,345,300 |

| | 2009 |
|---|---|
| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) |
| | Beneficial Interests in Split-interest Agreements |
| Beginning balance | $ 565,320 |
| Contributions | - |
| Change in value of split-interest agreements | (185,670) |
| Ending balance | $ 379,650 |

## Note 8. Fair Value Measurements (Continued)

*Assets Measured at Fair Value on a Nonrecurring Basis*

The following tables summarize financial assets measured at fair value on a nonrecurring basis by classification within the fair value hierarchy as of March 31, 2010 and 2009:

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total | Total Gains (Losses) |
| Assets held for sale | $ - | $ - | $ 1,414,200 | $ 1,414,200 | $ (202,000) |

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total | Total Gains (Losses) |
| Assets held for sale | $ - | $ - | $ 553,200 | $ 553,200 | $ (49,050) |

Assets held for sale with a carrying amount of $1,616,200 were written down to their fair value of $1,475,200, less cost to sell of $61,000, resulting in a loss of $202,000, which was included in the accompanying statement of activities for the year ended March 31, 2010.

## Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets as of March 31, 2010 and 2009 are available for the following purposes:

| | 2010 | 2009 |
|---|---|---|
| Future benefits from remainder trusts and gift annuity, to be used for the benefit of specific purposes at the death of the donor | $ 2,060,349 | $ 48,862 |
| Future periods | 5,532,433 | 1,390,390 |
| | $ 7,592,782 | $ 1,439,252 |

These assets are subject to donor-imposed purpose and time restrictions. Upon lapse of these restrictions, the assets will be reclassified as unrestricted.

## Note 10. Net Assets Released From Donor Restrictions

During the years ended March 31, 2010 and 2009, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

| | 2010 | 2009 |
|---|---|---|
| Time restrictions | $ 540,039 | $ 1,148,092 |

## Note 11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support charitable interests as recommended by the donor. At March 31, 2010 and 2009, permanently restricted net assets totaled $5,907,371 and $5,663,878, respectively.

## Note 12. Endowment Funds

The Foundation's endowment funds consist of fifteen individual funds established for a variety of purposes. The endowment funds consists solely of donor-restricted endowment funds as there are no funds designated by the Board of Directors to function as endowments at March 31, 2010 or 2009. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions. The Foundation has determined that no other individual fund meets the definition of endowment under UPMIFA.

The Foundation's Board of Directors has interpreted the North Carolina enacted version of UPMIFA ("NCUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NCUPMIFA. In accordance with NCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund
- Price level trends and general economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

## Note 12. Endowment Funds (Continued)

The Foundation's spending and investment policies establish an achievable return objective through diversification of asset classes of 5% above the rate of inflation, as measured by the CPI Index, over a complete market and economic cycle (generally three to five years). To achieve this return, the Foundation must assume a moderate level of risk with a considerable exposure in equity securities. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (dividends and interest). Returns are measured against a weighted average of nationally recognized benchmark indices, such as the Russell 1000 Growth Index and the MSCI EAFE, appropriate for each asset style.

The Board's current general spending policy is to distribute an amount equal to 5% of a rolling twelve quarter average fund balance. This spending policy is consistent with the average long-term return expectation, providing ongoing support of donors' charitable interests and additional growth to the endowment funds. Appropriations from endowment funds are approved by the Foundation's Board.

From time to time, the fair value of assets associated with the donor restricted endowment funds may fall below the level that the donor or NCUPMIFA requires the Foundation to retain as a fund of perpetual duration. At March 31, 2009, these deficiencies totaled $1,098,056, and were due to unfavorable market fluctuations that occurred within the Foundation's investment portfolio. There were no such deficiencies at March 31, 2010.

The following table summarizes changes in endowment net assets for the years ended March 31, 2010 and 2009:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, March 31, 2008 | $ 325,390 | $ - | $ 5,663,878 | $ 5,989,268 |
| Net asset reclassification based on change in law | (325,390) | 325,390 | - | - |
| Endowment net assets after reclassification | - | 325,390 | 5,663,878 | 5,989,268 |
| Interest and other investment income, net of fees | 136,445 | - | - | 136,445 |
| Realized and unrealized losses | (1,073,145) | (325,390) | - | (1,398,535) |
| Appropriations of endowment assets for expenditure | (133,500) | - | - | (133,500) |
| Appropriations of endowment net assets related to administrative fees | (27,856) | - | - | (27,856) |
| Endowment net assets, March 31, 2009 | (1,098,056) | - | 5,663,878 | 4,565,822 |
| Contributions | - | 21,164 | 243,493 | 264,657 |
| Interest and other investment income, net of fees | - | 105,818 | - | 105,818 |
| Realized and unrealized gains | 1,258,632 | 544,386 | - | 1,803,018 |
| Appropriations of endowment assets for expenditure | (124,246) | - | - | (124,246) |
| Appropriations of endowment net assets related to administrative fees | (36,330) | - | - | (36,330) |
| Endowment net assets, March 31, 2010 | $ - | $ 671,368 | $ 5,907,371 | $ 6,578,739 |

## Note 12. Endowment Funds (Continued)

The following table summarizes the composition of endowment net assets by fund type on March 31, 2010 and 2009:

| | 2010 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds: | | | | |
| Donor advised | $ - | $ 38,940 | $ 298,953 | $ 337,893 |
| Designated | - | 275,994 | 2,861,686 | 3,137,680 |
| Scholarship | - | 716 | 315,502 | 316,218 |
| Undesignated | - | 355,718 | 2,431,230 | 2,786,948 |
| Total endowment net assets | $ - | $ 671,368 | $ 5,907,371 | $ 6,578,739 |

| | 2009 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds: | | | | |
| Donor advised | $ (44,555) | $ - | $ 223,853 | $ 179,298 |
| Designated | (526,447) | - | 2,753,443 | 2,226,996 |
| Scholarship | (71,409) | - | 311,502 | 240,093 |
| Undesignated | (455,645) | - | 2,375,080 | 1,919,435 |
| Total endowment net assets | $ (1,098,056) | $ - | $ 5,663,878 | $ 4,565,822 |

## Note 13. Retirement Plan

All full-time employees participated in the Foundation's defined contribution retirement plan. Employees are vested 100% from the date of employment. The Foundation contributes 3% of each employee's salary annually. The expense related to this plan was $46,758 and $44,087 for the years ended March 31, 2010 and 2009, respectively.

## Note 14. Related Party Transactions

The Foundation receives contributions from its Board members. Contribution revenue from Board members was approximately $323,600 and $839,500 for the years ended March 31, 2010 and 2009, respectively. Undiscounted contributions receivable from Board members totaled approximately $8,400 and $17,000 at March 31, 2010 and 2009, respectively.

## Note 15. Major Contributions

In April 2009, the Foundation received a contribution of approximately $4.8 million comprised of $3.2 million of cash and $1.6 million of real estate. The Foundation continues to hold the real estate; however, due to unfavorable market conditions, the carrying value was reduced to approximately $1.4 million as of March 31, 2010. Management is actively marketing the properties and expects to sell within one year. As provided for in the donor's will, the donor's heirs shall advise the charitable funds and provide annual grant distribution recommendations to the Foundation's Board of Directors to support general charitable causes.

On October 14, 2009, the Foundation entered into an Affiliation Agreement with the Community Foundation of Southeastern North Carolina ("CFSENC"). Upon execution of the Agreement, CFSENC's Board of Directors voted to dissolve its North Carolina nonprofit corporation and its 501(c)(3) tax-exempt public charity status within the meaning of Section 145 of the Internal Revenue Code and become an unincorporated association affiliated with the Foundation.

A Master Fund Agreement was signed on March 11, 2010 to transfer and/or assign, to the extent permitted by the fund agreements of CFSENC and the policies and procedures of the Foundation all rights, title, and interest of CFSENC under the restricted and unrestricted endowments, gifts funds, scholarship funds and other similar type funds to the Foundation. CFSENC contributed all existing funds to the Foundation as of September 30, 2009, totaling approximately $5.1 million, to establish eighty-four component funds. Of the $5.1 million contribution, $264,657 was considered an endowment. Of this $264,657amount, $243,493 is required by the donor to be maintained in perpetuity and is reflected within permanently restricted contributions. The total contribution represented approximately 24% of total contribution revenue for the fiscal year ended March 31, 2010.

In March 2010, the Foundation became the unconditional beneficiary of an estate when a court declared a donor's will valid and authorized the distribution of assets as directed in the donor's bequest. The will is uncontested. The Foundation was also notified that the same donor had established two charitable remainder trusts during his lifetime which provide for the Foundation as the remainder beneficiary. As of March 31, 2010 the Foundation's beneficial interest in the charitable remainder trusts is approximately $2.0 million. A combination of cash, securities, and property totaling approximately $3.7 million was held in a trust on March 31, 2010 pending sale and distribution to the Foundation. Of the $3.7 million, $3.0 million was received on June 2, 2010 and management expects to receive the remaining amounts from the trustee within one year. In accordance with the donor's bequest, the proceeds from the estate and the charitable remainder trusts shall be used to support two designated funds.