

**LANCASTER COUNTY COMMUNITY
FOUNDATION AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2009 AND 2008

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report	Page	1
Consolidated Statements of Financial Position		2
Consolidated Statements of Activities		3 and 4
Consolidated Statements of Cash Flows		5
Notes to Consolidated Financial Statements		6 to 17

SUPPLEMENTARY INFORMATION

Consolidating Balance Sheets	18 and 19
Consolidating Statements of Activities	20 and 21
Schedules of Functional Expenses	22 and 23



Fresh thinking. Solid solutions.

1800 Fruitville Pike
P.O. Box 8408
Lancaster, PA 17601

717-394-5666
fax 717-394-0693
www.rklcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lancaster County Community Foundation and Affiliate
Lancaster, Pennsylvania

We have audited the accompanying consolidated statement of financial position of Lancaster County Community Foundation and Affiliate (a not-for-profit organization) as of December 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. The consolidated financial statements are the responsibility of Lancaster County Community Foundation's management and Lancaster County Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended December 31, 2008 were audited by other auditors whose report, dated September 16, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lancaster County Community Foundation and Affiliate at December 31, 2009, and its changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information accompanying the consolidated financial statements is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Reinsel Kuntz Lesher LLP".

Lancaster, Pennsylvania
July 30, 2010

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31, 2009</u>	<u>DECEMBER 31, 2008</u>
ASSETS		
Cash and cash equivalents	\$ 2,761,625	\$ 3,630,964
Investments	28,820,632	21,483,137
Prepaid expenses	24,953	23,204
Property and equipment, at cost, net of accumulated depreciation of \$82,729 and \$50,173, respectively	54,169	69,225
Contributions receivable	912,544	619,367
Perpetual trusts and split-interest agreements	29,536,025	25,926,335
TOTAL ASSETS	<u>\$ 62,109,948</u>	<u>\$ 51,752,232</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 24,769	\$ 19,876
Grants payable, net	1,121,599	1,090,400
Accrued expenses	22,982	22,737
Liability to resource providers	390,695	185,975
TOTAL LIABILITIES	1,560,045	1,318,988
NET ASSETS		
Unrestricted 31,013,878		24,506,909
Permanently restricted	29,536,025	25,926,335
TOTAL NET ASSETS	<u>60,549,903</u>	<u>50,433,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,109,948</u>	<u>\$ 51,752,232</u>

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

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Revenues, gains, and other support:			
Contributions	\$ 2,983,789	\$ 92,188	\$ 3,075,977
Return on split-interest agreements	-	3,517,502	3,517,502
Return on investments:			
Interest and dividends	618,815	-	618,815
Net realized and unrealized gains	4,221,310	-	4,221,310
Distributions from perpetual trusts	1,411,821	-	1,411,821
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	9,235,735	3,609,690	12,845,425
Expenses:			
Program - grants and scholarships	1,637,223	-	1,637,223
Program - special projects	52,331	-	52,331
Program - other	551,644	-	551,644
Management and general	137,387	-	137,387
Fundraising	350,181	-	350,181
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	2,728,766	-	2,728,766
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	6,506,969	3,609,690	10,116,659
Net assets:			
Beginning of year	<hr/> 24,506,909	<hr/> 25,926,335	<hr/> 50,433,244
End of year	<hr/> <u>\$ 31,013,878</u>	<hr/> <u>\$ 29,536,025</u>	<hr/> <u>\$ 60,549,903</u>

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

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Revenues, gains (losses), and other support:			
Contributions	\$ 739,233	\$ 345,613	\$ 1,084,846
Return on split-interest agreements	-	(9,796,529)	(9,796,529)
Return on investments:			
Interest and dividends	1,541,496	-	1,541,496
Net realized and unrealized losses	(9,090,801)	-	(9,090,801)
Distributions from perpetual trusts	997,770	-	997,770
Miscellaneous revenue	356,306	-	356,306
Net assets released from restrictions	1,944,133	(1,944,133)	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES, GAINS (LOSSES), AND OTHER SUPPORT	(3,511,863)	(11,395,049)	(14,906,912)
Expenses:			
Program - grants and scholarships	1,439,923	-	1,439,923
Program - special projects	209,733	-	209,733
Program - other	516,637	-	516,637
Management and general	100,106	-	100,106
Fundraising	340,138	-	340,138
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	2,606,537	-	2,606,537
	<u> </u>	<u> </u>	<u> </u>
CHANGE IN NET ASSETS	(6,118,400)	(11,395,049)	(17,513,449)
Net assets:			
Beginning of year	30,625,309	37,321,384	67,946,693
	<u> </u>	<u> </u>	<u> </u>
End of year	\$ 24,506,909	\$ 25,926,335	\$ 50,433,244
	<u> </u>	<u> </u>	<u> </u>

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

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED	
	DECEMBER 31, 2009	DECEMBER 31, 2008
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 10,116,659	\$ (17,513,449)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,556	29,597
Net realized and unrealized (gains) losses on investments	(4,221,310)	9,090,801
Contributions of investments	(1,602,567)	(1,552)
Contributions of split-interest agreements	(92,188)	(345,613)
Net change in value of split-interest agreements	(3,517,502)	9,796,529
(Increase) decrease in assets:		
Prepaid expenses and grant awards	(1,749)	(9,625)
Contributions receivable	(293,177)	2,624,598
Increase (decrease) in liabilities:		
Accounts payable	4,893	(59,998)
Grants payable	31,199	(299,419)
Accrued expenses	245	5,493
	457,059	3,317,362
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	457,059	3,317,362
Cash flows from investing activities:		
Purchase of equipment	(17,500)	(13,389)
Purchase of investments	(8,679,659)	(10,971,267)
Proceeds from sale of investments	7,370,761	6,702,259
	(1,326,398)	(4,282,397)
NET CASH USED IN INVESTING ACTIVITIES		
	(1,326,398)	(4,282,397)
Decrease in cash and cash equivalents	(869,339)	(965,035)
Cash and cash equivalents:		
Beginning of year	3,630,964	4,595,999
End of year	\$ 2,761,625	\$ 3,630,964
Noncash investing and financing activity -		
Net change in perpetual trusts and split-interest agreements held for others	\$ 204,720	\$ (107,101)

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

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Lancaster County Community Foundation (the Foundation) functions as a parallel organization to the Lancaster County Foundation (the Trust), a Pennsylvania charitable trust. The Foundation functions as the primary operating entity for both organizations, and not only manages its own assets and fundraising, but also manages the various funds held by the Trust and administers distributions of the income from those funds. The Foundation engages in a variety of activities typically carried on by community foundations, including development, community outreach, events, speaking engagements, capacity building programs, investment management, and grant making.

The consolidated entity of the Lancaster County Community Foundation and the Lancaster County Foundation will be referred to as the Organization.

BASIS OF ACCOUNTING

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidation financial statements include the accounts of the Organization after elimination, as applicable, of all significant interrelated balances and transactions.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, not including those amounts classified as investments, to be cash and cash equivalents.

FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Organization adopted the provisions of Accounting Standards Codification (ASC 820), *Fair Value Measurements and Disclosures*. This statement defines fair value, establishes a hierarchical disclosure framework for measuring fair value, and requires expanded disclosures about fair value measurements. The provisions of ASC 820 apply to all financial instruments that are being measured and reported on a fair value basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Donated assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments greater than \$2,000 in cost are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of activities.

LIABILITY TO RESOURCE PROVIDERS

Liability to resource providers consists of assets transferred from non-profit organizations that specified itself or an affiliate as the beneficiary of the fund created.

CONTRIBUTIONS AND RESTRICTED RESOURCES

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions, grants, and investment income whose restrictions are met within the same year as received are reflected as unrestricted contributions or return on investments in the accompanying consolidated financial statements. The Organization reports receipts from trusts with donor stipulations as unrestricted revenue, with the corresponding disbursement to designated beneficiaries as restricted grants. Such amounts received, but not yet disbursed, are reported as grants payable.

There are three classes of net assets - permanently restricted, temporarily restricted, and unrestricted.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets consist principally of funds held in trust by others.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. There were no temporarily restricted net assets at December 31, 2009 or 2008.

Unrestricted net assets are net assets not subject to donor-imposed stipulations.

Any rent, specialized skill services, and supplies received as donations are recorded and reflected in the accompanying financial statements at their fair value on the date of receipt.

INCOME TAXES

The Foundation and the Trust are not-for-profit entities as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from income taxes on related activities pursuant to Section 509(a) of the code.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES (Continued)

In 2009, the Organization adopted FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. During 2009, FIN 48 was codified with FASB ASC 740, *Income Taxes*. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Management has determined that the adoption of ASC 740 did not have a material effect on the financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2009, the Organization adopted FASB Accounting Standards Codification (ASC) 105, *Generally Accepted Accounting Principles*, which established the FASB ASC as the authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP. The adoption of this standard did not have a material effect on the Company's financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

Functional expenses are charged directly to program, management and general, and fundraising expenses in general categories based on specific identification.

ADVERTISING EXPENSES

Advertising costs are charged to expense as incurred. Expense for the years ending December 31, 2009 and 2008, was \$39,999 and \$41,460, respectively.

NOTE B - CASH AND INVESTMENTS

Cash and investments are presented in the consolidated financial statements at fair value. Cash and investments are composed of the following:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ <u>2,761,625</u>	\$ <u>3,630,964</u>
Investments:		
Fixed income	\$ 8,676,053	\$ 6,275,024
Equities	15,242,034	11,736,187
Alternative investments	<u>4,902,545</u>	<u>3,471,926</u>
TOTAL INVESTMENTS	<u>\$28,820,632</u>	<u>\$21,483,137</u>

Equities include stocks and equity-based mutual funds. Fixed income includes bonds, fixed income investments, and fixed income-based mutual funds.

NOTE C - CONTRIBUTIONS RECEIVABLE

At December 31, 2009 and 2008, contributions receivable consists of distributions from trusts due to the Organization as beneficiary of the Trust or amounts due to the Organization through wills or estate agreements. The entire amount of contributions receivable is due within one year. The Organization evaluates all contributions receivables for collectability. No reserves were considered necessary at December 31, 2009 and 2008.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>	<u>DEPRECIABLE LIVES</u>
Office equipment and software	\$ 136,898	\$ 119,398	3 to 11 years
Accumulated depreciation	<u>(82,729)</u>	<u>(50,173)</u>	
TOTAL	<u>\$ 54,169</u>	<u>\$ 69,225</u>	

Depreciation expense was \$32,556 and \$29,597 for the years ended December 31, 2009 and 2008, respectively.

NOTE E - SPLIT-INTEREST AGREEMENTS

The Organization is the beneficiary of numerous perpetual and charitable remainder trusts held by financial institutions. The trusts were established by persons, wills, living trust agreements, and court decrees with various restrictions and terms. At the discretion of the Board of Directors, restrictions and terms placed on the income distributions are varied.

The Organization's interest in the split-interest agreements are valued at the fair value of the underlying investments held in the trusts, or at the net present value of expected receipts from the trusts, using a discount rate of 6.00%.

The carrying value of split-interest agreements is as follows as of December 31:

	<u>2009</u>	<u>2008</u>
Perpetual trusts	\$24,876,784	\$21,763,122
Charitable remainder trusts	171,505	127,553
Beneficial interest in perpetual trust with multiple beneficiaries	<u>4,487,736</u>	<u>4,035,660</u>
TOTAL	<u>\$29,536,025</u>	<u>\$25,926,335</u>

NOTE E - SPLIT-INTEREST AGREEMENTS (Continued)

Perpetual trusts, whose carrying value is the fair value of the investments held, are composed of the following at December 31:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 429,147	\$ 2,874,887
Fixed income	8,733,816	7,163,751
Equities	15,069,738	11,124,607
Alternative investments	<u>644,083</u>	<u>599,877</u>
TOTAL	<u>\$24,876,784</u>	<u>\$21,763,122</u>

Equities include stocks and equity-based mutual funds. Fixed income includes bonds, fixed income investments, and fixed income-based mutual funds.

The return on investments includes \$1,411,821 and \$997,770 in distributions from perpetual trusts in 2009 and 2008, respectively. As discussed in Note H, the Trust's perpetual trusts are included as permanently restricted net assets and the distributions represent net investment earnings on those trusts which are available to the Trust for grant making and administration of the trust.

NOTE F - ALTERNATIVE INVESTMENTS

The Organization invests in a hedged fund of funds and other alternative investments to further diversify its investment portfolio. The alternative investments are all subsidiary funds of the Common Fund for Nonprofit Organizations (the Funds). The following are the fair values of the Funds the Organization has invested in, based on the net asset values (NAV) determined by the Commonfund Asset Management Company at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Commonfund Hedged Fund	\$ 1,141,168	\$ 1,014,042
Commonfund Institutional Multi-Strategy Commodities Fund, Ltd.	1,247,277	598,660
Commonfund Realty Investors, LLC	64,883	178,972
Commonfund Institutional Core Equity Fund	1,680,645	1,254,012
Commonfund Global Distressed Investors, Inc.	<u>768,572</u>	<u>426,240</u>
TOTAL	<u>\$ 4,902,545</u>	<u>\$ 3,471,926</u>

The Funds (primarily the Commonfund Hedged Fund, Commonfund Institutional Multi-Strategy Commodities Fund, Ltd., and Commonfund Institutional Core Equity Fund) have investments in certain securities, limited partnerships, real estate, and other investment funds for which market values may not be readily available. Such investments have been valued in accordance with the following valuation policy: equity securities are valued at the last sale price; unlisted securities are valued at the current bid price obtained from reputable brokers; fixed income securities are generally valued by reference to outside pricing services or at closing market prices supplied by brokers considered to be active in the market; investments maturing within 60 days of the issue date are valued at amortized cost, which approximates market value; short sales are generally valued at the last close or sales price; and written and purchase options are generally valued at the last sales price. Investments in limited partnerships and other investment funds are valued at fair value which is generally the latest net asset value made available by the fund manager or administrator prior to the valuation date.

NOTE F - ALTERNATIVE INVESTMENTS (Continued)

For real estate (primarily the Commonfund Realty Investors, LLC), fair value is defined as the most probable price for which the property will sell in a competitive market. In performing the appraisals, the estimated fair value is determined by discounting projected cash flows over periods of time using rates of return deemed appropriate for each investment or by the sales comparison approach or the cost approach. Information on the physical value of the property and the sales prices of comparable properties is used to corroborate the estimated fair value. Each real estate asset of the Funds received an external property appraisal valuation as of December 31, 2009 and 2008.

Other securities that are not readily marketable (including the Commonfund Global Distressed Investors, Inc.) are also valued at fair value as deemed appropriate by the Commonfund Asset Management Company, Inc. The shares reported by the Organization are proportionate to the Foundation's capital contribution and are considered to be stated at fair value.

The Funds held certain investments which may be valued by a single market maker. The estimated values may differ significantly from the values that would have been used had a ready market for the investment existed; they may have been affected by the decline in liquidity and prices of investments and real estate or by the lack of observable transaction data and inputs in certain transactions. Actual results could differ from those estimates, and the difference could be material. Additionally, certain investments in limited partnerships, investments funds and other debt instruments may be restricted as to resale or may require advance notice of redemption or withdrawal.

Risks arise from changes in the value of the transactions, contracts, and agreements and the potential inability of the Funds to timely liquidate individual funds or real estate in the portfolio. There are numerous factors which may significantly influence the market value of these contracts and agreements, including interest rate volatility and currency and future adverse political and economic developments involving investments in foreign companies. These factors were considered by the Organization prior to making this investment and it was determined the investment would be beneficial to leverage risk in other areas of the investment portfolio.

PERPETUAL TRUSTS

Additionally, certain of the Organization's perpetual trusts and beneficial interests in perpetual trusts were invested in assets whose fair value was determined using net asset value of the respective fund's investments. Although the investments in these Investment Funds are exclusively identified as Level 3 in accordance with ASC 820, the underlying holdings of the Investments Funds are comprised of a combination of Level 1, 2, and 3 securities. The Investments Fund reports the net asset value of the Fund's investment to the Fund on a periodic basis. This net asset value is not necessarily the fair value of the Fund's investment. The Fund's Sub-Investment Advisor performs comprehensive due diligence procedures in order to analyze various factors that may cause the fair value to be above or below the net asset value reported by the Investment Fund. If management is unable to obtain confidence in the reported net asset values, management may determine and implement an alternative method of valuation.

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS

As defined by ASC 820, 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. Financial instrument assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset 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 are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

All assets are measured at fair value. There have been no changes in the methodology used at December 31, 2009 and 2008.

The following table summarizes investments by ASC 820 levels as of December 31, 2009:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Fixed income	\$ 8,676,053	\$ -	\$ -	\$ 8,676,053
Equities	15,242,034	-	-	15,242,034
Alternative investments	<u>-</u>	<u>-</u>	<u>4,902,545</u>	<u>4,902,545</u>
TOTAL INVESTMENTS	<u>\$23,918,087</u>	<u>\$ -</u>	<u>\$ 4,902,545</u>	<u>\$28,820,632</u>
Perpetual trusts	\$ -	\$ -	\$24,876,784	\$24,876,784
Charitable remainder trusts	-	-	171,505	171,505
Beneficial interest in perpetual trust with multiple beneficiaries	<u>-</u>	<u>-</u>	<u>4,487,736</u>	<u>4,487,736</u>
TOTAL PERPETUAL TRUSTS AND SPLIT INTEREST AGREEMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$29,536,025</u>	<u>\$29,536,025</u>

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table summarizes investments by ASC 820 levels as of December 31, 2008:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Fixed income	\$ 6,275,024	\$ -	\$ -	\$ 6,275,024
Equities	11,736,187	-	-	11,736,187
Alternative investments	<u>-</u>	<u>-</u>	<u>3,471,926</u>	<u>3,471,926</u>
TOTAL INVESTMENTS	<u>\$18,011,211</u>	<u>\$ -</u>	<u>\$ 3,471,926</u>	<u>\$21,483,137</u>
Perpetual trusts	\$ -	\$ -	\$21,763,122	\$21,763,122
Charitable remainder trusts	-	-	127,553	127,553
Beneficial interest in perpetual trust with multiple beneficiaries	<u>-</u>	<u>-</u>	<u>4,035,660</u>	<u>4,035,660</u>
TOTAL PERPETUAL TRUSTS AND SPLIT INTEREST AGREEMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,926,335</u>	<u>\$25,926,335</u>

Perpetual trusts are classified as Level 3 investments due to the nature of the trusts. The underlying assets were composed of the following at December 31:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 429,147	\$ 2,874,887
Fixed income	8,733,816	7,163,751
Equities	15,069,738	11,124,607
Alternative investments	<u>644,083</u>	<u>599,877</u>
TOTAL	<u>\$24,876,784</u>	<u>\$21,763,122</u>

Of these investments, all are traded in active markets except the alternative investments.

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table summarizes the changes in fair values associated with ASC 820 Level 3 assets:

	BALANCE AS OF DECEMBER 31, 2008	CONTRIBUTIONS/ PURCHASES	UNREALIZED GAINS/(LOSSES)	CHANGE IN VALUE OF SPLIT INTEREST AGREEMENTS	BALANCE AS OF DECEMBER 31, 2009
Common fund:					
Hedged fund	\$ 1,014,042	\$ -	\$ 127,126	\$ -	\$ 1,141,168
Commodities fund	598,660	421,184	227,433	-	1,247,277
Realty investors fund	178,972	-	(114,089)	-	64,883
Core equity fund	1,254,012	26,554	400,079	-	1,680,645
Global distressed investors fund	<u>426,240</u>	<u>185,400</u>	<u>156,932</u>	<u>-</u>	<u>768,572</u>
TOTAL ALTERNATIVE INVESTMENTS	3,471,926	633,138	797,481	-	4,902,545
Perpetual trusts	21,763,122	-	-	3,113,662	24,876,784
Charitable remainder trusts	127,553	26,227	-	17,725	171,505
Beneficial interest perpetual trusts with multiple beneficiaries	<u>4,035,660</u>	<u>-</u>	<u>-</u>	<u>452,076</u>	<u>4,487,736</u>
TOTAL PERPETUAL TRUSTS AND SPLIT INTEREST AGREEMENTS	<u>25,926,335</u>	<u>26,227</u>	<u>-</u>	<u>3,583,463</u>	<u>29,536,025</u>
TOTAL	<u>\$29,398,261</u>	<u>\$ 659,365</u>	<u>\$ 797,481</u>	<u>\$ 3,583,463</u>	<u>\$34,438,570</u>
	BALANCE AS OF DECEMBER 31, 2007	CONTRIBUTIONS/ PURCHASES	UNREALIZED GAINS/(LOSSES)	CHANGE IN VALUE OF SPLIT INTEREST AGREEMENTS	BALANCE AS OF DECEMBER 31, 2008
Common fund:					
Hedged fund	\$ 1,232,077	\$ -	\$ (218,035)	\$ -	\$ 1,014,042
Commodities fund	1,000,000	-	(401,340)	-	598,660
Realty investors fund	300,000	-	(121,028)	-	178,972
Core equity fund	-	2,000,000	(745,988)	-	1,254,012
Global distressed investors fund	<u>-</u>	<u>622,400</u>	<u>(196,160)</u>	<u>-</u>	<u>426,240</u>
TOTAL ALTERNATIVE INVESTMENTS	2,532,077	2,622,400	(1,682,551)	-	3,471,926
Perpetual trusts	29,020,352	3,143,982	-	(10,401,212)	21,763,122
Charitable remainder trusts	148,375	-	-	(20,822)	127,553
Beneficial interest perpetual trusts with multiple beneficiaries	<u>5,401,152</u>	<u>60,237</u>	<u>-</u>	<u>(1,425,729)</u>	<u>4,035,660</u>
TOTAL PERPETUAL TRUSTS AND SPLIT INTEREST AGREEMENTS	<u>34,569,879</u>	<u>3,204,219</u>	<u>-</u>	<u>(11,847,763)</u>	<u>25,926,335</u>
TOTAL	<u>\$37,101,956</u>	<u>\$ 5,826,619</u>	<u>\$ (1,682,551)</u>	<u>\$ (11,847,763)</u>	<u>\$29,398,261</u>

All unrealized gains/(losses) in the tables above are reflected in the accompanying statements of activities. Net unrealized gains/(losses) relate to those investments held by the Organization at year end.

The carrying amounts of cash and cash equivalents, contributions receivable, prepaids, accounts payable, grants payable, and accrued expenses in the accompanying balance sheet, approximate fair value given the short-term nature of these financial instruments.

NOTE H - NET ASSETS

At December 31, 2009 and 2008, permanently restricted net assets consist of approximately \$29,500,000 and \$25,900,000, respectively, of investments in perpetuity, which includes assets held in perpetual trust and split-interest agreements. The income of these assets is expendable to support the Organization’s mission.

At December 31, 2009 and 2008, unrestricted net assets consist of approximately \$31,000,000 and \$24,500,000, respectively, in endowment funds. While the Organization retains variance power, it is the Organization’s policy that the donors’ intentions will be honored unless it is impossible, impractical, undesirable, or inadvisable to do so. Therefore, the principal of the endowment funds will remain intact.

NOTE I - TERMINATION OF BENEFICIAL INTEREST IN PERPETUAL TRUST

During the years ended December 31, 2009 and 2008, certain assets of the Trust in the amount of \$-0- and \$1,944,133, respectively, previously reported as perpetual trusts and, therefore, classified as permanently restricted, were released, through court order, to the Organization. Subsequent to the court order, these assets were removed from the perpetual trust, placed in the Organization’s investment portfolio and reclassified as unrestricted.

NOTE J - OPERATING LEASES

The Organization signed an office lease agreement with 53 West James, LP on July 27, 2006. The lease expires November 2011. On the third anniversary date, and continuing each subsequent anniversary date, the annual rate will be increased by the percentage increase in the CPI as measured from September 1st of the prior calendar year through September 1st of the current calendar year. The annual increase may not exceed 5%. Annual rent expense was increased from \$40,713 to \$42,723 in November 2008.

The amount of payments under the lease agreement, including CAM expenses and a lease provision for parking spaces, for the year ended December 31, 2009 was \$45,243. Future minimum annual lease payments are as follows:

	<u>RENT</u>	<u>MONTHS</u>
2010	\$ 42,723	38 to 49
2011	<u>39,163</u>	50 to 60
	<u>\$ 81,886</u>	

NOTE K - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000. At December 31, 2009 and 2008, the Organization’s bank balances exceeded the insured amounts by approximately \$1,406,000 and \$932,000, respectively. The Organization believes that it is not exposed to any significant credit risk with regard to its cash and cash equivalents. The Organization’s investments are subject to fluctuations in the fair values of those investments. As a result of fluctuations, net assets may be impacted by the changes in general economic conditions.

NOTE L - GRANT COMMITMENTS

The Organization receives requests for grants from public charities. The Board of Directors determines which grant requests to approve. The grant monies are payable to the public charity upon Board approval. Approved grants are valid for one year, but the public charity may request that the grant be extended.

During the years ended December 31, 2009 and 2008, grant expense was \$1,637,223 and \$1,439,923, respectively. Grants payable at December 31, 2009 and 2008 totaling \$1,121,599 and \$1,090,400, respectively, represent amounts approved by the Board of Directors, but not disbursed as of December 31, 2009 and 2008.

NOTE M - RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution plan, which is available to all eligible employees. Organization contributions to the Plan are at the discretion of the Board of Directors. Contributions made by the Organization for the years ended December 31, 2009 and 2008 totaled \$18,495 and \$10,966, respectively.

NOTE N - SPECIAL PROJECTS

Special projects of the Organization for the year ended December 31, 2009 consist of the following:

Capacity building	\$ 8,120
Arts initiative	<u>44,210</u>
	<u>\$ 52,330</u>

NOTE O - SUBSEQUENT EVENTS

Effective January 1, 2009, the Organization adopted the new accounting guidance for subsequent events as codified in FASB ASC 855, *Subsequent Events*. The new guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the date the financial statements are issued or available to be issued. This guidance requires companies to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. Subsequent events that provide evidence about conditions that arose after the balance sheet date should be disclosed if the financial statements would otherwise be misleading. Disclosure should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made.

The Organization has evaluated subsequent events through July 30, 2010. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2009 were noted.

NOTE P - RECLASSIFICATIONS

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

NOTE Q - CONTINGENT LIABILITY

The Organization has an alternative investment in Commonfund Realty Investors, LLC. As part of this investment, there is a call option which may require an additional investment from the Organization of up to \$500,000.

SUPPLEMENTARY INFORMATION

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2008

	<u>LANCASTER COUNTY COMMUNITY FOUNDATION</u>	<u>LANCASTER COUNTY FOUNDATION</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 3,630,964	\$ -	\$ 3,630,964
Investments	21,483,137	-	21,483,137
Prepaid expenses	23,204	-	23,204
Property and equipment, at cost, net of accumulated depreciation \$50,173	69,225	-	69,225
Contributions receivable	619,367	-	619,367
Perpetual trusts and split-interest agreements	-	25,926,335	25,926,335
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 25,825,897</u>	<u>\$ 25,926,335</u>	<u>\$ 51,752,232</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 19,876	\$ -	\$ 19,876
Grants payable, net	1,090,400	-	1,090,400
Accrued expenses	22,737	-	22,737
Liability to resource providers	185,975	-	185,975
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,318,988	-	1,318,988
NET ASSETS			
Unrestricted 24,506,909		-	24,506,909
Permanently restricted	-	25,926,335	25,926,335
	<u> </u>	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>24,506,909</u>	<u>25,926,335</u>	<u>50,433,244</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,825,897</u>	<u>\$ 25,926,335</u>	<u>\$ 51,752,232</u>

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	LANCASTER COUNTY COMMUNITY FOUNDATION	LANCASTER COUNTY FOUNDATION PERMANENTLY RESTRICTED	TOTAL
	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Revenue, gains, and other support:			
Contributions	\$ 2,983,789	\$ 92,188	\$ 3,075,977
Return on split-interest agreements	-	3,517,502	3,517,502
Return on investments	6,251,946	-	6,251,946
	<u>6,251,946</u>	<u>-</u>	<u>6,251,946</u>
 TOTAL REVENUES, GAINS, AND OTHER SUPPORT	 9,235,735	 3,609,690	 12,845,425
Expenses:			
Program - grants and scholarships	1,637,223	-	1,637,223
Program - special projects	52,331	-	52,331
Program - other	551,644	-	551,644
Management and general	137,387	-	137,387
Fundraising	350,181	-	350,181
	<u>350,181</u>	<u>-</u>	<u>350,181</u>
 TOTAL EXPENSES	 2,728,766	 -	 2,728,766
 CHANGES IN NET ASSETS	 6,506,969	 3,609,690	 10,116,659
Net assets:			
Beginning of year	24,506,909	25,926,335	50,433,244
	<u>24,506,909</u>	<u>25,926,335</u>	<u>50,433,244</u>
End of year	\$ 31,013,878	\$ 29,536,025	\$ 60,549,903
	<u>\$ 31,013,878</u>	<u>\$ 29,536,025</u>	<u>\$ 60,549,903</u>

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

	LANCASTER COUNTY COMMUNITY FOUNDATION	LANCASTER COUNTY FOUNDATION	
	UNRESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue, gains, and other support:			
Contributions	\$ 739,233	\$ 345,613	\$ 1,084,846
Return on split-interest agreements	-	(9,796,529)	(9,796,529)
Return on investments	(6,551,535)	-	(6,551,535)
Miscellaneous revenue	356,306	-	356,306
Net assets released from restrictions	1,944,133	(1,944,133)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	(3,511,863)	(11,395,049)	(14,906,912)
Expenses:			
Program - grants and scholarships	1,439,923	-	1,439,923
Program - special projects	209,733	-	209,733
Program - other	516,637	-	516,637
Management and general	100,106	-	100,106
Fundraising	340,138	-	340,138
TOTAL EXPENSES	2,606,537	-	2,606,537
CHANGES IN NET ASSETS	(6,118,400)	(11,395,049)	(17,513,449)
Net Assets:			
Beginning of year	30,625,309	37,321,384	67,946,693
End of year	\$ 24,506,909	\$ 25,926,335	\$ 50,433,244

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

	<u>SUPPORTING SERVICES</u>			<u>TOTAL</u>
	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
Classification of expenses:				
Asset management fees	\$ 117,357	\$ -	\$ -	\$ 117,357
Bank and administrative fees	1,600	17,641	1,114	20,355
Conferences, meetings, and travel	6,916	4,410	7,699	19,025
Depreciation and amortization	15,435	4,750	12,371	32,556
Dues and subscriptions	4,254	804	2,635	7,693
Equipment leases	151	40	113	304
Insurance	22,810	5,280	16,096	44,186
Marketing	1,113	341	38,545	39,999
Miscellaneous	603	296	319	1,218
Temporary staffing	351	93	237	681
Office supplies and expense	26,450	6,239	26,545	59,234
Payroll taxes	18,486	4,178	12,836	35,500
Professional fees	21,713	16,262	14,746	52,721
Rent and utilities	25,915	5,990	18,056	49,961
Repairs and maintenance	9,428	2,176	6,579	18,183
Retirement	9,569	2,220	6,706	18,495
Salaries	251,120	57,141	174,892	483,153
Scholarship administration fees	4,695	-	-	4,695
Staff development	70	25	304	399
Software license	5,575	1,281	3,916	10,772
Telephone	2,631	2,607	2,177	7,415
Travel	5,402	5,613	4,295	15,310
TOTAL EXPENSES BEFORE GRANTS AND SCHOLARSHIPS	551,644	137,387	350,181	1,039,212
Special projects	52,331	-	-	52,331
Grants and scholarships	1,637,223	-	-	1,637,223
TOTAL EXPENSES	<u>\$ 2,241,198</u>	<u>\$ 137,387</u>	<u>\$ 350,181</u>	<u>\$ 2,728,766</u>

LANCASTER COUNTY COMMUNITY FOUNDATION AND AFFILIATE

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2008

	<u>SUPPORTING SERVICES</u>			<u>TOTAL</u>
	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
Classification of expenses:				
Asset management fees	\$ 114,216	\$ -	\$ -	\$ 114,216
Bank and administrative fees	-	18,654	-	18,654
Conferences, meetings, and travel	7,261	1,540	9,384	18,185
Depreciation and amortization	17,817	3,818	7,962	29,597
Donor development	-	-	699	699
Dues and subscriptions	3,686	635	2,737	7,058
Equipment leases	2,709	1,911	665	5,285
Insurance	12,557	2,453	9,454	24,464
Marketing	-	-	41,460	41,460
Miscellaneous	327	4,226	214	4,767
Temporary staffing	14,171	3,355	9,407	26,933
Office supplies and expense	27,681	5,819	24,455	57,955
Payroll taxes	23,472	5,262	16,952	45,686
Professional fees	30,732	1,413	14,750	46,895
Rent and utilities	24,237	4,871	18,545	47,653
Repairs and maintenance	9,646	1,928	7,447	19,021
Retirement	5,594	1,046	4,326	10,966
Salaries	193,984	37,047	151,243	382,274
Scholarship administration fees	2,205	-	-	2,205
Staff development	5,016	1,770	4,646	11,432
Software license	6,825	1,306	4,940	13,071
Telephone	2,937	1,358	2,297	6,592
Travel	11,564	1,694	8,555	21,813
TOTAL EXPENSES BEFORE GRANTS AND SCHOLARSHIPS	516,637	100,106	340,138	956,881
Special projects	209,733	-	-	209,733
Grants and scholarships	1,439,923	-	-	1,439,923
TOTAL EXPENSES	<u>\$ 2,166,293</u>	<u>\$ 100,106</u>	<u>\$ 340,138</u>	<u>\$ 2,606,537</u>