

NORTHERN CHAUTAUQUA  
COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

# NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

April 26, 2012

To the Board of Directors of  
Northern Chautauqua Community Foundation

We have audited the accompanying statements of financial position of the Northern Chautauqua Community Foundation (a nonprofit organization) as of December 31, 2011 and 2010, 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 on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northern Chautauqua Community Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Johnson, Mackowiak & Associates, LLP*

Johnson, Mackowiak and Associates, LLP  
Certified Public Accountants & Consultants

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 103,489	\$ 932,798
Investments	17,113,333	15,818,226
Cash surrender value of life insurance	18,422	17,649
Building, equipment and land, net	73,562	6,680
<b>TOTAL ASSETS</b>	<b>\$ 17,308,806</b>	<b>\$ 16,775,353</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable	\$ 350	\$ -
Gift annuities payable	70,100	73,612
Funds held for agencies	1,869,734	1,917,117
Funds held for pass-through	165,203	125,547
Total liabilities	2,105,387	2,116,276
Unrestricted Net Assets		
Operating	8,817	3,694
Unreserved - fixed assets	73,562	6,680
Community benefit funds	4,295,340	3,812,972
Designated funds	4,444,584	4,193,917
Donor advised funds	738,776	796,771
Dunkirk scholarship funds	1,511,239	1,553,492
Fredonia scholarship funds	535,497	509,050
Miscellaneous scholarship funds	3,103,534	3,249,302
Westfield scholarship funds	510,786	541,347
Gift annuities	(18,716)	(8,148)
Total net assets	15,203,419	14,659,077
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,308,806</b>	<b>\$ 16,775,353</b>

See accompanying notes and independent auditor's report.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 1,447,923	\$ 1,535,456
Special fund fundraising revenue	24,033	45,507
Interest and dividends	315,809	260,475
Realized gains (losses)	(249,113)	224,968
Unrealized gains (losses)	(412,167)	809,049
Patron dues and miscellaneous income	31,898	29,559
Change in value of charitable gift annuities	(12,264)	(12,264)
Change in cash surrender value of life insurance	773	763
	1,146,892	2,893,513
<b>EXPENSES</b>		
Grants	281,356	230,248
General and administrative expenses	233,828	206,196
Special fund fundraising expenses	69,466	17,122
	584,650	453,566
<b>CHANGE IN NET ASSETS</b>	562,242	2,439,947
<b>NET ASSETS AT JANUARY 1</b>	14,659,077	12,219,130
Charitable fund transfers	(17,900)	-
<b>NET ASSETS AT DECEMBER 31</b>	\$ 15,203,419	\$ 14,659,077

See accompanying notes and independent auditor's report.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 562,242	\$ 2,439,947
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Net realized (gains) losses on investments	249,113	(224,968)
Net unrealized (gains) losses on investments	412,167	(809,049)
Noncash contribution	-	(473,920)
Change in value of split-interest agreement	12,264	12,264
Change in cash surrender value of life insurance	(773)	(763)
Depreciation expense	4,505	4,996
Charitable fund transfers	(17,900)	-
Change in operating assets and liabilities:		
Grants payable	350	-
Gift annuity payable	(3,512)	(11,137)
Funds held for agencies	(47,382)	174,312
Funds held for pass-through	39,657	(25,311)
	1,210,731	1,086,371
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(71,387)	(469)
Proceeds from redemptions	8,085,612	9,081,514
Expenditures for purchase	(10,054,265)	(9,283,765)
	(2,040,040)	(202,720)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(829,309)	883,651
<b>CASH AND CASH EQUIVALENTS, beginning</b>	932,798	49,147
<b>CASH AND CASH EQUIVALENTS, ending</b>	\$ 103,489	\$ 932,798

See accompanying notes and independent auditor's report.

# NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF ACTIVITIES** - The Northern Chautauqua Community Foundation is a publicly supported not-for profit corporation created in 1986. The administration of the Foundation's operations and the approval of its grants are the responsibility of a board of directors. The directors are elected by a plurality of votes cast at the annual meeting of the membership. The Foundation operates solely in the Northern Chautauqua region and receives and invests gifts from individuals, corporations, foundations, and other not-for-profit organizations. These funds are invested permanently with the income generated thereon used for the community's charitable needs.

**BASIS OF ACCOUNTING** - The accompanying financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred.

**VARIANCE POWER** - Generally accepted accounting principles provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Directors of the Foundation has this variance power; however, the Board of Directors would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants. Under the definition of FASB ASC 958-205-50 (formerly SFAS No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*), the Foundation does not have any assets that would be considered temporarily or permanently restricted.

**INVESTMENTS** - Investments are reported at market value. Realized and unrealized gains and losses on investments are reflected in the statement of activities.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**INCOME TAX STATUS** - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under Article 7-A of the New York State Executive Law. Therefore, no provision has been made for Federal or New York State income taxes in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Agency other than a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Foundation adopted the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48), *Accounting for Uncertainty in Income Taxes*, on January 1, 2008. There is no impact on the Foundation's financial statements as a result of the implementation of ASC 740-10.

The Foundation files federal Returns of Organization Exempt from Income Tax (Form 990) and New York State's Annual Filing for Charitable Organizations (CHAR500). The Foundation's returns prior to 2008 are closed.

**MANAGEMENT OF ENDOWMENT ASSETS** - The Foundation has adopted a total return approach to the long-term management of its endowment assets. This approach combines asset growth and income. It takes the assets' total market value averaged over three years, along with a board authorized spending rate, into consideration in determining amounts available for each year's distribution. By smoothing the market volatility and reviewing the spending rate annually, the Foundation maintains relative stability in the amount of funds available for charitable distribution and provides for increasing contributions over time, as well as protection from inflation.

The Spending Policy establishes the percentage rate that determines the amount available for charitable purposes. In February 2009, the Board of Directors lowered the spending rate from 4.0% to 2.5% retroactive to January 1, 2009. During 2010, the spending rate remained at 2.5%. In February 2011, the Board of Directors raised the spending rate from 2.5% to 3.0% retroactive to January 1, 2011.

The Spending Policy considers the Uniform Management of Institutional Funds Act (UMIFA). Under UMIFA, spending is limited to ordinary income (i.e. dividends and interest) when the fair market value of a fund is less than its historical dollar value.

On September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). This legislation now dictates the Spending Policy for fiscal years beginning in 2011 and provides discretion to the Foundation with respect to the accumulation or expenditure of amounts in the endowment fund including portions of the original dollar value of the donor's gift. NYPMIFA also requires grant spending to be calculated based on quarterly market values of the endowment over a period of not less than 5 years.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**ESTIMATES** - Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from these estimates.

**CASH AND CASH EQUIVALENTS** - The Foundation maintains its cash balances at more than one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the years, the balances in these accounts exceeded the Federal Deposit Insurance Corporation limit.

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be a cash equivalent. At December 31, 2011, cash and cash equivalents classified as investments totaled \$3,923,805 invested with Lake Shore Savings Bank, TD Ameritrade and Charles Schwab. At December 31, 2010, cash and cash equivalents classified as investments totaled \$1,031,409 invested with HSBC Bank.

**DONATED SERVICES** - No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, campaign solicitations and various committee assignments.

## NOTE 2 – FUNDS HELD FOR AGENCIES

The Foundation follows FASB ASC 958 (formerly Statement of Financial Accounting Standard No. 136, *Transfers of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*). This statement establishes standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both, to a not-for-profit organization that is specified by the donor. FASB ASC 958 specifically requires that if the donor is a not-for-profit organization that established a fund at the Foundation using its own funds, and for its own benefit, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency funds.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance the FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments to be made to the nonprofit organization.

## NOTE 2 – FUNDS HELD FOR AGENCIES, continued

As of December 31, 2011 and 2010, the Foundation was the owner of approximately twenty three agency funds with a combined value of \$1,869,734 and \$1,917,117, respectively. The Foundation also had approximately fourteen pass-through funds with a combined value of \$165,203 and \$125,547 as of December 31, 2011 and 2010, respectively. All financial activity related to agency and pass-through funds are recorded as liabilities on the statement of financial position and in the statement of activities.

The Foundation has disclosed the agency and pass-through funds' activity in Note 7 "Transactions in Funds Held for Agencies and Pass-Throughs."

## NOTE 3 – BUILDING, EQUIPMENT AND LAND

Building, equipment and land consisted of the following as of December 31:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 47,933	\$ 47,344
Building	60,798	-
Land	10,000	-
Less: accumulated depreciation	<u>(45,169)</u>	<u>(40,664)</u>
<b>EQUIPMENT, net</b>	<u><u>\$ 73,562</u></u>	<u><u>\$ 6,680</u></u>

Office furniture and equipment is depreciated using the straight-line method over an estimated life of five years and depreciation totaled \$3,725 and \$4,996 for the years ended December 31, 2011 and 2010, respectively. The building is depreciated using the straight-line method over an estimated life of thirty-nine years and depreciation totaled \$779 and \$0 for the years ended December 31, 2011 and 2010, respectively

## NOTE 4 – LEASES

The Foundation rented office space in Dunkirk, New York through March 2011, at which time the Foundation purchased the building it leased. The last lease agreement was signed for a three-year period that expired December 31, 2007, after which the organization operated on a month-to-month basis. Rent expense totaled \$1,785 and \$7,140 for the years ending December 31, 2011 and 2010 respectively.

## NOTE 5 - INVESTMENTS

The Foundation carries investments at market value for financial statement purposes. Endowment funds were invested as follows at December 31, 2011:

Investment Description	<u>Cost</u>	<u>Market</u>
<b>Lakeshore Savings and Loan</b>		
Cash & Cash Equivalents	\$ 3,277,075	\$ 3,277,075
<b>TD Ameritrade - Courier Capital:</b>		
Cash & Cash Equivalents	401,026	401,026
Fixed Income	4,543,528	4,611,589
<b>Charles Schwab - Manning &amp; Napier:</b>		
Cash & Cash Equivalents	245,704	245,704
Fixed Income	1,064,782	1,063,797
Equities	4,325,324	4,513,961
<b>Vanguard Funds:</b>		
500 Index Fund	1,038,239	1,046,455
Total International Stock Index Fund	154,505	159,002
Total Stock Market Index Fund	1,370,766	1,554,591
Emerging Markets Stock Index Fund	320,146	240,133
<b>TOTAL</b>	<u>\$ 16,741,095</u>	<u>\$ 17,113,333</u>

Endowment funds were invested as follows at December 31, 2010:

Investment Description	<u>Cost</u>	<u>Market</u>
<b>HSBC Bank - Courier Capital:</b>		
Cash & Cash Equivalents	\$ 852,911	\$ 852,911
Fixed Income	4,142,662	4,210,894
Equities	2,294	2,297
<b>HSBC Bank - Manning &amp; Napier:</b>		
Cash & Cash Equivalents	178,498	178,498
Fixed Income	751,448	754,481
Equities	3,691,869	4,353,479
<b>TIFF Funds:</b>		
US Equity Fund	2,402,007	2,196,896
International Equity Fund	234,862	224,528
<b>Vanguard Funds:</b>		
500 Index Fund	1,016,925	1,025,084
Total International Stock Index Admiral Fund	149,740	186,048
Total Stock Market Index Fund	1,350,021	1,537,946
Emerging Markets Stock Index Fund	314,577	295,164
<b>TOTAL</b>	<u>\$ 15,087,814</u>	<u>\$ 15,818,226</u>

## NOTE 5 - INVESTMENTS, continued

The Foundation adopted provisions of FASB ASC 820 (SFAS No. 157 *Fair Value Measurements*) effective January 1, 2008. FASB ASC 820 establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2: Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, (4) inputs that are derived from or corroborated by observable market data by correlation or other means, (5) if the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

*Mutual Funds* - Valued at the net asset value (NAV) of shares held at year end. The NAV is the closing price reported on the active market on which the securities are traded. Mutual funds are classified as level 1 investments.

*Money Market Funds* - Valued at cost plus accrued interest. Money market funds are classified as level 2 instruments.

## NOTE 5 - INVESTMENTS, continued

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stock	\$ 4,513,961	\$ -	\$ -
Bonds	5,675,386	-	-
Mutual funds	3,000,181	-	-
Money market funds	-	3,923,805	-
	<u>\$ 13,189,528</u>	<u>\$ 3,923,805</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Stock	\$ 3,381,579	\$ -	\$ -
Bonds	4,965,375	-	-
Mutual funds	6,439,863	-	-
Money market funds	-	1,031,409	-
	<u>\$ 14,786,817</u>	<u>\$ 1,031,409</u>	<u>\$ -</u>

## NOTE 6 – GIFT ANNUITIES PAYABLE

A charitable gift annuity is a contract between the Foundation and the Donor. The Foundation agrees to pay the Donor (or other person named by the Donor) a lifetime annuity in return for a gift of cash or securities. The Foundation used fair market value for recognizing assets related to the gift annuities payable in the financial statements. The Foundation has segregated investments in U. S. Treasury Funds restricted for the payment of the four remaining annuities. This amount met the required investment by New York State Insurance Law.

**NOTE 6 – GIFT ANNUITIES PAYABLE, continued**

The following assumptions were made for the gift annuities payable at December 31:

2011	<u>Discount Rate</u>	<u>Lifetime Expectancy</u>	<u>Amount of Payable</u>
Annuity I	9.00%	4.3	\$ 8,068
Annuity II	9.80%	4.3	28,135
Annuity V	9.20%	5.6	11,047
Annuity VII	6.30%	13.1	<u>22,850</u>
<b>TOTAL</b>			<u><u>\$ 70,100</u></u>

2010	<u>Discount Rate</u>	<u>Lifetime Expectancy</u>	<u>Amount of Payable</u>
Annuity I	9.50%	4.6	\$ 9,026
Annuity II	9.50%	4.7	28,908
Annuity V	7.50%	7.9	12,858
Annuity VII	6.10%	13.8	<u>22,820</u>
<b>TOTAL</b>			<u><u>\$ 73,612</u></u>

**NOTE 7 - TRANSACTIONS IN FUNDS HELD FOR AGENCIES AND PASS-THROUGHS**

Transactions in agency and pass-through funds are summarized as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Additions:		
Contributions	\$ 144,225	\$ 79,544
Special projects - Amazing County	17,186	70,254
Special fund fundraising revenues	27,130	23,988
Realized gains (losses)	(34,470)	31,734
Unrealized gains (losses)	(58,149)	111,054
Investment income	<u>43,296</u>	<u>36,791</u>
Total additions	<u>139,218</u>	<u>353,365</u>

**NOTE 7 - TRANSACTIONS IN FUNDS HELD FOR AGENCIES AND PASS-THROUGHS,**  
continued

Deductions:		
Grants	91,145	76,316
Special projects - Amazing County	34,458	100,269
Special fund fundraising expenses	16,433	9,184
Administrative expenses	22,809	18,595
	<hr/>	<hr/>
Total deductions	164,845	204,364
	<hr/>	<hr/>
Change in balance	(25,627)	149,001
Balance at beginning of year	2,042,664	1,893,663
Charitable fund transfers	17,900	-
	<hr/>	<hr/>
Balance end of year	<u>\$ 2,034,937</u>	<u>\$ 2,042,664</u>

At the request of donors, certain charitable funds were transferred from unrestricted net assets to funds held for pass-throughs. These transfers totaled \$17,900 and \$0 for 2011 and 2010, respectively.

**NOTE 8 - ENDOWMENTS**

The Foundation's endowments consist of approximately 345 individual funds established for a variety of purposes. Its total endowments includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including 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.

Interpretation of Relevant Law

Prior to New York State's adoption of the New York Prudent Management of Institutional Funds Act (NYPMIFA) in September 2010, the Board of Directors of the Foundation has interpreted the New York State Not-for-Profit Corporation Law as limiting distributed endowment spending to the lesser of ordinary income (i.e. dividends and interest) or the Spending Policy when the fair market value of a fund is less than its historical value.

In accordance with the provisions of NYPMIFA, the Foundation will only make expenditures over the historical expenditures over the historical dollar value of the fund for such funds established prior to NYPMIFA only upon the express approval of the original donor (if such donors can be reasonably identified and reasonable attempts are made to contact them.)

## NOTE 8 - ENDOWMENTS, continued

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies existing at December 31, 2011 and 2010 resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. Under NYIMPFA, the Foundation is limited to spending only the current income from these funds with deficiencies without permission from the donor. During December 2011, the Board of Directors voted to change the look at date to identify funds with deficiencies from September 30th to June 30th. At June 30, 2011 there were no funds with deficiencies. At September 30, 2011, the Foundation identified 93 funds with deficiencies whose historical gift value totaled \$7,771,321 and whose fair value \$7,372,321 totaled . At September 30, 2010, the Foundation identified 94 funds with deficiencies whose historical gift value totaled \$2,096,988 and whose fair market value totaled \$2,023,181.

At December 31, 2011 and 2010, the fair market value of these funds totaled \$8,192,128 and \$2,144,659, respectively. At December 31, 2011, twenty nine funds identified as funds with deficiencies at September 30, 2011 continued to have deficiencies.

The Board of Directors created two contingency funds in 2008. One of the contingency funds supplemented the annual distributions from many of the funds with deficiencies, which otherwise would have had significantly less to distribute within the community than in previous years. The second contingency fund was designated to support operational expenses. Each fund originally consisted of \$21,000. During the year ended December 31, 2011, \$0 of these funds had been utilized for operational expenses. During the year ended December 31, 2010, \$8,000 of these funds had been utilized for operational expenses.

### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the underlying endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce average investment results that exceed the spending needs of the Foundation by 2% to 3% annually while assuming a low to moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% after inflation annually. Actual returns in any given year may vary from this amount.



**NOTE 8 - ENDOWMENTS, continued**

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized gains and losses) and current yield (interest and dividends).

**NOTE 9 - SUBSEQUENT EVENTS**

Events and transactions which have occurred from December 31, 2011 through April 26, 2012, the date of the financial statements, have been evaluated by management for the purposes of determining whether there were any events that might require disclosure in these financial statements. No such event or transaction was noted.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Endowments</u>	<u>Agency and Pass-through Funds</u>	<u>Total</u>
Salaries and benefits	\$ 154,373	\$ 15,058	\$ 169,431
Payroll taxes	11,172	1,090	12,262
Rent and property taxes	3,847	375	4,222
Utilities	4,352	425	4,777
Conferences and meetings	6,839	667	7,506
Office supplies and expenses	8,707	849	9,556
Dues and subscriptions	2,534	247	2,781
Telephone	1,945	190	2,135
Insurance	2,161	211	2,372
Travel and promotion	6,552	639	7,191
Computer support	13,290	1,296	14,586
Professional fees	5,193	507	5,700
Depreciation expense	4,105	400	4,505
Building maintenance	3,180	310	3,490
Miscellaneous	5,578	545	6,123
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 233,828</u>	<u>\$ 22,809</u>	<u>\$ 256,637</u>

See independent auditor's report.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
 SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Endowments</u>	<u>Agency and Pass-through Funds</u>	<u>Total</u>
Salaries and benefits	\$ 140,439	\$ 12,665	\$ 153,104
Payroll taxes	10,162	916	11,078
Rent	6,549	591	7,140
Utilities	4,483	404	4,887
Conferences and meetings	2,177	196	2,373
Office supplies and expenses	5,167	466	5,633
Dues and subscriptions	2,013	181	2,194
Telephone	1,847	167	2,014
Insurance	1,604	145	1,749
Travel and promotion	3,776	340	4,116
Computer support	11,638	1,050	12,688
Professional fees	4,678	422	5,100
Depreciation expense	4,583	413	4,996
Building maintenance	1,198	108	1,306
Miscellaneous	5,882	531	6,413
	<u>\$ 206,196</u>	<u>\$ 18,595</u>	<u>\$ 224,791</u>
Total expenses	<u>\$ 206,196</u>	<u>\$ 18,595</u>	<u>\$ 224,791</u>

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NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
SCHEDULE OF CHANGES IN LIABILITIES AND NET ASSETS BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Beginning Liabilities and Net Assets	Contributions	Amazing County/ Special Fund Fundraising Revenues	Investment Income	Realized Gains/ (Losses)	Unrealized Gains/(Losses) and Change in CSV Gift Annuities	Patron Dues, Miscellaneous Income
<b>LIABILITIES</b>							
Grants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gift annuity payable	73,612	-	-	-	-	-	-
Funds held for agencies	1,917,117	21,825	27,130	41,565	(32,438)	(52,719)	-
Funds held as pass-throughs	125,547	122,400	17,186	1,731	(2,032)	(5,430)	-
<b>Total Liabilities</b>	<b>2,116,276</b>	<b>144,225</b>	<b>44,316</b>	<b>43,296</b>	<b>(34,470)</b>	<b>(58,149)</b>	<b>-</b>
<b>UNRESTRICTED NET ASSETS</b>							
Operating Fund	3,694	31,216	-	558	-	-	31,898
Undesignated - Fixed Assets	6,680	-	-	-	-	-	-
Community Benefit Funds	3,812,972	953,018	-	81,744	(66,575)	(118,589)	-
Designated Funds	4,193,917	259,630	-	89,683	(72,270)	(107,746)	-
Donor Advised Funds	796,771	58,073	-	16,883	(12,710)	(22,929)	-
Dunkirk Scholarships	1,553,492	20,550	24,033	33,334	(25,768)	(42,896)	-
Fredonia Scholarships	509,050	64,375	-	11,584	(9,485)	(16,789)	-
Miscellaneous Scholarships	3,249,302	58,501	-	69,209	(52,641)	(89,548)	-
Westfield Scholarships	541,347	2,560	-	11,505	(8,748)	(14,283)	-
Subtotal	14,667,225	1,447,923	24,033	314,500	(248,197)	(412,780)	31,898
Gift Annuities	(8,148)	-	-	1,309	(916)	(10,878)	-
<b>Total net assets</b>	<b>14,659,077</b>	<b>1,447,923</b>	<b>24,033</b>	<b>315,809</b>	<b>(249,113)</b>	<b>(423,658)</b>	<b>31,898</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 16,775,353</b>	<b>\$ 1,592,148</b>	<b>\$ 68,349</b>	<b>\$ 359,105</b>	<b>\$ (283,583)</b>	<b>\$ (481,807)</b>	<b>\$ 31,898</b>

<u>Grants</u>	<u>General and Administrative Expenses</u>	<u>Amazing County/ Special Fund Fundraising Expenses</u>	<u>New Fixed Asset</u>	<u>Charitable Fund Transfers</u>	<u>Change in Liability</u>	<u>Ending Liabilities and Net Assets</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350	\$ 350
-	-	-	-	-	(3,512)	70,100
(23,766)	(19,112)	(9,868)	-	-	-	1,869,734
<u>(67,379)</u>	<u>(3,697)</u>	<u>(41,023)</u>	<u>-</u>	<u>17,900</u>	<u>-</u>	<u>165,203</u>
<u>(91,145)</u>	<u>(22,809)</u>	<u>(50,891)</u>	<u>-</u>	<u>17,900</u>	<u>(3,162)</u>	<u>2,105,387</u>
-	(59,162)	-	(71,387)	72,000	-	8,817
-	(4,505)	-	71,387	-	-	73,562
(73,041)	(39,289)	-	-	(254,900)	-	4,295,340
(53,839)	(42,291)	-	-	177,500	-	4,444,584
(18,949)	(7,694)	(57,169)	-	(12,500)	-	738,776
(25,870)	(13,339)	(12,297)	-	-	-	1,511,239
(17,955)	(5,283)	-	-	-	-	535,497
(74,422)	(56,867)	-	-	-	-	3,103,534
<u>(16,280)</u>	<u>(5,315)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,786</u>
(281,356)	(233,745)	(69,466)	-	(17,900)	-	15,222,135
-	(83)	-	-	-	-	(18,716)
<u>(281,356)</u>	<u>(233,828)</u>	<u>(69,466)</u>	<u>-</u>	<u>(17,900)</u>	<u>-</u>	<u>15,203,419</u>
<u>\$ (372,501)</u>	<u>\$ (256,637)</u>	<u>\$ (120,357)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,162)</u>	<u>\$ 17,308,808</u>

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NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
SCHEDULE OF CHANGES IN LIABILITIES AND NET ASSETS BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Beginning Liabilities and Net Assets	Contributions	Amazing County/ Special Fund Fundraising Revenues	Investment Income	Realized Gains/ (Losses)	Unrealized Gains/(Losses) and Change in CSV Gift Annuities	Patron Dues, Miscellaneous Income
<b>LIABILITIES</b>							
Gift annuity payable	\$ 84,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Funds held for agencies	1,742,805	10,014	23,988	36,385	31,392	110,901	-
Funds held as pass-throughs	<u>150,858</u>	<u>69,530</u>	<u>70,254</u>	<u>406</u>	<u>342</u>	<u>153</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,978,412</u>	<u>79,544</u>	<u>94,242</u>	<u>36,791</u>	<u>31,734</u>	<u>111,054</u>	<u>-</u>
<b>UNRESTRICTED NET ASSETS</b>							
Operating Fund	(723)	31,202	-	105	-	-	29,559
Undesignated - Fixed Assets	11,207	-	-	-	-	-	-
Community Benefit Funds	2,851,610	727,717	-	59,902	51,679	183,368	-
Designated Funds	3,323,657	579,710	-	72,826	63,207	236,349	-
Donor Advised Funds	711,832	5,831	27,545	14,966	12,937	46,156	-
Dunkirk Scholarships	1,394,420	40,605	17,962	29,296	25,279	89,131	-
Fredonia Scholarships	469,953	16,320	-	9,749	8,386	29,173	-
Miscellaneous Scholarships	2,940,744	133,671	-	61,770	53,282	190,967	-
Westfield Scholarships	<u>512,123</u>	<u>400</u>	<u>-</u>	<u>10,458</u>	<u>8,999</u>	<u>30,827</u>	<u>-</u>
Subtotal	12,214,823	1,535,456	45,507	259,072	223,769	805,971	29,559
Gift Annuities	<u>4,307</u>	<u>-</u>	<u>-</u>	<u>1,403</u>	<u>1,199</u>	<u>(8,423)</u>	<u>-</u>
<b>Total net assets</b>	<u>12,219,130</u>	<u>1,535,456</u>	<u>45,507</u>	<u>260,475</u>	<u>224,968</u>	<u>797,548</u>	<u>29,559</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 14,197,542</u>	<u>\$ 1,615,000</u>	<u>\$ 139,749</u>	<u>\$ 297,266</u>	<u>\$ 256,702</u>	<u>\$ 908,602</u>	<u>\$ 29,559</u>

<u>Grants</u>	<u>General and Administrative Expenses</u>	<u>Amazing County/ Special Fund Fundraising Expenses</u>	<u>New Fixed Asset</u>	<u>Annuity Transfers</u>	<u>Change in Liability</u>	<u>Ending Liabilities and Net Assets</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,137)	\$ 73,612
(11,595)	(17,589)	(9,184)	-	-	-	1,917,117
<u>(64,721)</u>	<u>(1,006)</u>	<u>(100,269)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,547</u>
<u>(76,316)</u>	<u>(18,595)</u>	<u>(109,453)</u>	<u>-</u>	<u>-</u>	<u>(11,137)</u>	<u>2,116,276</u>
-	(55,980)	-	(469)	-	-	3,694
-	(4,996)	-	469	-	-	6,680
(27,575)	(33,729)	-	-	-	-	3,812,972
(54,598)	(33,768)	-	-	6,534	-	4,193,917
(5,460)	(7,259)	(9,777)	-	-	-	796,771
(29,020)	(6,836)	(7,345)	-	-	-	1,553,492
(19,800)	(4,731)	-	-	-	-	509,050
(77,445)	(53,687)	-	-	-	-	3,249,302
<u>(16,350)</u>	<u>(5,110)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,347</u>
(230,248)	(206,096)	(17,122)	-	6,534	-	14,667,225
<u>-</u>	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>(6,534)</u>	<u>-</u>	<u>(8,148)</u>
<u>(230,248)</u>	<u>(206,196)</u>	<u>(17,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,659,077</u>
<u>\$ (306,564)</u>	<u>\$ (224,791)</u>	<u>\$ (126,575)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,137)</u>	<u>\$ 16,775,353</u>

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