

**THE COMMUNITY FOUNDATION FOR  
SOUTH CENTRAL NEW YORK, INC.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
AND FOR THE YEARS THEN ENDED**

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**DECEMBER 31, 2008 AND 2007**

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# SBARRA & COMPANY

*Certified Public Accountants, P.C.*

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## **Independent Auditor's Report**

To The Board of Directors  
The Community Foundation for  
South Central New York, Inc.  
70 Front Street  
Binghamton, New York 13905

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of The Community Foundation for South Central New York, Inc. (a nonprofit corporation) as of December 31, 2008 and 2007 and the related statements of revenues, expenses, grants and other changes in net assets – modified cash basis for the years then ended. These financial statements are the responsibility of the Community 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 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.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Community Foundation for South Central New York, Inc. as of December 31, 2008 and 2007 and its revenues, expenses, grants and other changes in net assets for the years then ended, on the basis of accounting described in Note 2.



SBARRA & COMPANY CPA'S, P.C.

Endicott, New York  
June 3, 2009

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
CASH	\$ 35,978	\$ 120,087
INVESTMENTS, at market (Notes 3 and 14)	12,968,920	17,558,184
OTHER ASSETS		
Property and equipment, net (Note 4)	208	1,384
Deposit	<u>1,500</u>	<u>1,500</u>
	<u>1,708</u>	<u>2,884</u>
TOTAL ASSETS	<u>\$ 13,006,606</u>	<u>\$ 17,681,155</u>
 <b>LIABILITIES AND NET ASSETS</b>		
COMMITMENTS (Note 7)		
NET ASSETS		
Unrestricted (Note 10)	<u>\$ 13,006,606</u>	<u>\$ 17,681,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,006,606</u>	<u>\$ 17,681,155</u>

See accompanying notes

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**STATEMENTS OF REVENUES, EXPENSES, GRANTS  
AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>REVENUES AND SUPPORT</b>		
Interest	\$ 7,636	\$ 17,109
Dividends from investments	38,999	23,375
Dividends from mutual funds	362,613	1,121,117
Net realized gain (loss) on sale of marketable investments	( 1,725,176)	59,191
Net unrealized gain (loss) on investments	( 2,451,643)	343,555
Contributions (Note 11)	199,746	2,002,362
Other	<u>4,042</u>	<u>3,250</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>( 3,563,783)</u>	<u>3,569,959</u>
<b>EXPENSES</b> (Note 9)		
Program services:		
Grantmaking		
Grants paid (Note 7)	676,657	651,314
Grant administrative expense	<u>70,988</u>	<u>42,053</u>
Total grantmaking	747,645	693,367
Community education and involvement	<u>41,469</u>	<u>43,160</u>
Total program services	<u>789,114</u>	<u>736,527</u>
Supporting services:		
Management and general	236,245	198,870
Fundraising	<u>85,407</u>	<u>77,012</u>
Total supporting services	<u>321,652</u>	<u>275,882</u>
<b>TOTAL EXPENSES</b>	<u>1,110,766</u>	<u>1,012,409</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>( 4,674,549)</u>	2,557,550
<b>NET ASSETS, beginning of year</b>	<u>17,681,155</u>	<u>15,123,605</u>
<b>NET ASSETS, end of year</b>	<u>\$ 13,006,606</u>	<u>\$ 17,681,155</u>

See accompanying notes

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

The Community Foundation for South Central New York, Inc. (the "Community Foundation") was established in 1996, to be a tax-exempt, public, charitable, community foundation benefiting residents of Broome, Chenango, Cortland, Delaware, Otsego and Tioga Counties in New York. Revenues are provided primarily from public contributions and investment of Community Foundation assets in securities and mutual funds.

Members of the Board of Directors, committee members and employees abide by the conflict of interest and confidentiality policies established by the Board.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Community Foundation's policy is to prepare its financial statements on a modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred. Modifications include recognition of certain expenditures for property and equipment as assets.

Use of Estimates

The preparation of financial statements in conformity with modified cash basis generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank accounts, and money market funds, which at times, may exceed federally insured limits. The Community Foundation places its cash and temporary cash investments with high credit quality financial institutions and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Investments

The Community Foundation accounts for investments under Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values in the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis.

The fair value of debt securities, marketable equity securities, and mutual funds are based on quoted market prices.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments (Continued)

Absolute return pool shares holding marketable securities are stated at market as provided by the investment manager.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Community Foundation.

Property, Equipment and Depreciation

Costs of leasehold improvements of \$1,500 or more are capitalized. Costs of maintenance and repairs are charged to expenses as incurred. Costs of office furnishings and equipment under \$1,500 have been expensed.

Upon disposal or retirement of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue (loss). Depreciation is computed on a straight-line method over estimated useful lives, as follows:

Leasehold improvements	10 – 20 years
Furniture and equipment	3 – 7 years

Contributions and Unrestricted Net Assets

Contributions received by the Community Foundation are generally recorded as unrestricted revenue and net assets at their fair value in the period received. Unrestricted net assets are those over which the Board of Directors of the Community Foundation retains full control for use in achieving the institutional mission. Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted.

Since, under New York State law and the Community Foundation's governing instruments, the Board of Directors of the Community Foundation has the power to vary the use of gifts from the original donor-prescribed purpose, the assets held as advised by donors are segregated in unrestricted net assets until such time (if ever) as the Board of Directors deems it prudent and appropriate under the variance power to redirect some part of the principal or appreciation. Accordingly, the statements classify all Community Foundation net assets as unrestricted, but segregate the portion for which contributions are designated for special grantmaking purposes from the funds that are designated for general grants or administration.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Securities

Contributed securities are recorded at fair value and are liquidated promptly and invested along with cash contributions in individual securities, mutual funds, managed pooled investments or money market accounts.

Spending Policy

Effective January 2001, the Community Foundation implemented a spending policy in connection with grantmaking funds whereby annual spending, including fees, does not exceed 5% of the average value for the past twelve quarters.

Income Tax Status

The Community Foundation is a tax-exempt public charity as defined under the Internal Revenue Code Section 501(c)(3). Contributions to the Community Foundation qualify for the charitable contribution deduction under Internal Revenue Code Section 170.

Wills, Trusts and Estates

The Community Foundation may be the beneficiary under various wills and trust agreements. The realizable value of these interests is not presently determinable.

Fair Value Measurements

The Community Foundation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Community Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurements.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 3 – INVESTMENTS**

Cost and fair value of investments are summarized as follows:

	2008	2008	2007	2007
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 709,001	\$ 709,001	\$ 742,294	\$ 742,294
Fixed income mutual funds	1,509,199	1,437,576	1,452,262	1,450,512
Equity mutual funds	–	–	151,019	161,517
Equity securities	5,656,754	6,174,019	1,350,141	1,225,318
Reits	303,197	333,148	–	–
Multi-asset funds	3,227,722	4,244,928	12,027,251	11,456,652
Absolute return pools	<u>1,563,047</u>	<u>1,023,080</u>	<u>1,835,217</u>	<u>1,023,080</u>
 Total	 <u>\$ 12,968,920</u>	 <u>\$ 13,921,752</u>	 <u>\$ 17,558,184</u>	 <u>\$ 16,059,373</u>

Absolute return pools consist of diverse, primarily short-term, investments geared toward absolute return-oriented strategies often referred to as “hedge funds”. Participating members are permitted to redeem their shares on December 31 of each year with 100 days notice after an initial one-year waiting period from the date of purchase.

**NOTE 4 – PROPERTY AND EQUIPMENT**

	<u>2008</u>	<u>2007</u>
Equipment	\$ 4,789	\$ 6,484
Less accumulated depreciation	<u>( 4,581)</u>	<u>( 5,100)</u>
Property and equipment, net	\$ <u>208</u>	\$ <u>1,384</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$978 and \$1,287.

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Community Foundation maintains cash and cash equivalents in banks and financial institutions which are not covered or are in excess of coverage under the Federal Deposit Insurance Company (FDIC) or other federal government insurance. These amounts were \$224,471 and \$762,235 as of December 31, 2008 and 2007.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 6 – RENT EXPENSE**

Rent expense was \$18,686 and \$18,000 for the years ended December 31, 2008 and 2007.

**NOTE 7 – COMMITMENTS**

The Community Foundation's Board awards grants to qualifying organizations and scholarships to qualifying individuals in Broome, Chenango, Cortland, Delaware, Otsego and Tioga Counties. The unpaid portion of those grants was \$280,666 and \$244,270 as of December 31, 2008 and 2007.

On January 1, 2007 the Community Foundation entered into a four year lease for space for \$18,000 per year plus 50% of the increase in utilities and taxes after the first year.

**NOTE 8 – DONATED SERVICES**

Board and committee members provide time and services to the Community Foundation without compensation. The services performed by these individuals are significant, however, no amounts have been included in the accompanying financial statements since no objective basis is available to measure the value of such services.

**NOTE 9 – FUNCTIONAL EXPENSES**

For purposes of categorizing expenditures, the Community Foundation identifies two types of program services related to its exempt charitable purpose and two activities as supporting operations of the Community Foundation.

The primary program service is to make charitable and scholarship grants and to pay grant related expenses necessary to approve and administer grants. A second program involves activities designed to educate the community or the Community Foundation's staff about significant issues facing the region, or to educate the public about the charitable purpose and programs of the Community Foundation.

Supporting services include management and general expenditures for operation of the Community Foundation, compliance with laws, and stewardship of assets. Fundraising expenditures to foster donor development and receive contributions from the community are also a supporting program service.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 10 – SEGREGATION OF UNRESTRICTED NET ASSETS**

Total unrestricted net assets of the Community Foundation, in the amount of \$13,006,606 and \$17,681,155 at December 31, 2008 and 2007, are segregated into categories: special grantmaking, and the CommuniFund™. Unrestricted net assets consist of the following separately calculated groups of funds at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Scholarship funds	\$ 222,097	\$ 283,743
Designated funds	5,484,152	7,419,643
Donor advised funds	1,011,571	1,440,183
Field of interest funds	<u>351,551</u>	<u>403,675</u>
Total special grantmaking funds	7,069,371	9,547,244
CommuniFund™	5,908,462	8,122,224
Other	<u>28,773</u>	<u>11,687</u>
Total unrestricted net assets	<u>\$ 13,006,606</u>	<u>\$ 17,681,155</u>

Special grantmaking fund balances represent amounts whereby the donor contributes for a specific purpose or has an advisory role in the expenditure of the contribution or the Board of Directors has created a special purpose category for giving. However, these funds are not considered temporarily or permanently restricted because of the Community Foundation's unilateral variance power over the funds.

The CommuniFund™ includes general grantmaking funds, which consist of assets for which no special designated purpose controls what grants are considered for approval. The total of the CommuniFund™ as of December 31, 2008 and 2007 was \$5,908,462 and \$8,122,224. The CommuniFund™ also includes funds designated by the Board of Directors for administrative purposes in the amount of \$286,646 and \$531,017 as of December 31, 2008 and 2007.

The CommuniFund™ and special grantmaking funds that are endowed and have met the minimum threshold are charged an administrative fee on a quarterly basis. These fees totaled \$160,804 and \$164,644 for the years ended December 31, 2008 and 2007 and are designated by the Board of Directors of the Community Foundation to be used for administrative purposes.

**NOTE 11 – CONCENTRATION OF CONTRIBUTIONS**

During 2008, the Community Foundation received 49% of contributions from three donors.

During 2007, the Community Foundation received the remaining \$1,330,000 as part of a total grant of \$1,530,000 from a previously related foundation. This contribution represented 66% of the total contributions received in 2007.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 12 – TAX SHELTERED ANNUITY – 403(b) PLAN**

The Community Foundation maintains a tax sheltered annuity retirement plan under the Internal Revenue Code of 1986 Section 403(b) covering substantially all of its employees. Contributions are partly made by salary reductions. Corporate contributions of \$18,063 and \$11,721 were made for employees for the years ended December 31, 2008 and 2007.

**NOTE 13 – RELATED PARTY**

A partner of the firm providing legal services to the Community Foundation also serves on the Board of Directors of the Community Foundation. Legal fees paid by the Community Foundation were \$1,945 and \$901 for the year ended December 31, 2008 and 2007.

**NOTE 14 – FAIR VALUE MEASUREMENTS**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, the Community Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Community Foundation has the ability to access.

**Level 2** – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3** – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)**

Financial assets recorded on the statements of assets, liabilities and net assets — modified cash basis are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2008</u>
Asset category:				
Investments	\$ <u>7,922,055</u>	\$ <u>3,483,818</u>	\$ <u>1,563,047</u>	\$ <u>12,968,920</u>

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Community Foundation's financial assets for the year ended December 31, 2008:

	<u>Investments</u>
Beginning balance as of January 1, 2008	\$ 1,835,217
Realized gain (loss)	-
Change in unrealized appreciation (depreciation)	( 272,170)
Income received	-
Net purchases (sales)	<u>-</u>
 BALANCE AS OF DECEMBER 31, 2008	 \$ <u>1,563,047</u>