

CRAWFORD HERITAGE COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

on the Financial Statements 1

FINANCIAL STATEMENTS:

Statements of Financial Position 2

Statement of Activities - 2009 3

Statement of Activities - 2008 4

Statements of Cash Flows 5

Notes to the Financial Statements 6



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Crawford Heritage Community Foundation
Meadville, Pennsylvania

We have audited the accompanying statements of financial position of Crawford Heritage Community Foundation (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Crawford Heritage 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.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Crawford Heritage Community Foundation as of December 31, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Meadville, Pennsylvania
November 12, 2010

CRAWFORD HERITAGE COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 275,117	\$ 731,014
Investments - Trusts (Note B)	302,460	264,120
Investments - Endowments (Note B)	8,105,235	5,579,986
Residential real estate held for sale	-	27,000
Equipment	2,135	2,135
Less: Accumulated depreciation	<u>(2,135)</u>	<u>(2,135)</u>
TOTAL ASSETS	<u>\$ 8,682,812</u>	<u>\$ 6,602,120</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued payroll taxes	\$ 1,369	\$ 1,369
Organizational endowment fund liability (Note C)	858,387	687,932
Charitable remainder trust liability (Note D)	<u>258,074</u>	<u>255,783</u>
TOTAL LIABILITIES	1,117,830	945,084
NET ASSETS		
Unrestricted net assets	296,479	198,927
Temporarily restricted net assets	34,930	22,738
Permanently restricted net assets	<u>7,233,573</u>	<u>5,435,371</u>
TOTAL NET ASSETS	<u>7,564,982</u>	<u>5,657,036</u>
	<u>\$ 8,682,812</u>	<u>\$ 6,602,120</u>

See notes to the financial statements.

CRAWFORD HERITAGE COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 56,098	\$ 18,471	\$ 923,645	\$ 998,214
Non-cash contribution	-	-	12,500	12,500
Fundraising income	7,595	-	-	7,595
Net loss from charitable remainder trusts	-	(11,703)	(25,602)	(37,305)
Investment income	63,270	42,864	1,274,632	1,380,766
Other income	5,213	-	6,772	11,985
Loss on sale of assets	-	-	(5,184)	(5,184)
Net assets released from restrictions	426,001	(37,440)	(388,561)	-
TOTAL REVENUE AND SUPPORT	558,177	12,192	1,798,202	2,368,571
EXPENSES				
Program - grants, gifts, and scholarships	342,271	-	-	342,271
General and administrative	89,432	-	-	89,432
Fundraising	28,922	-	-	28,922
TOTAL EXPENSES	460,625	-	-	460,625
CHANGE IN NET ASSETS	97,552	12,192	1,798,202	1,907,946
NET ASSETS, BEGINNING	198,927	22,738	5,435,371	5,657,036
NET ASSETS, ENDING	<u>\$ 296,479</u>	<u>\$ 34,930</u>	<u>\$ 7,233,573</u>	<u>\$ 7,564,982</u>

See notes to the financial statements.

CRAWFORD HERITAGE COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 16,749	\$ 30,185	\$ 1,181,823	\$ 1,228,757
Net gain (loss) from charitable remainder trusts	-	(11,905)	26,923	15,018
Investment loss	(33,620)	(74,826)	(2,129,488)	(2,237,934)
Other income	6,203	-	132	6,335
Net assets released from restrictions	429,291	(9,504)	(419,787)	-
TOTAL REVENUE AND SUPPORT	418,623	(66,050)	(1,340,397)	(987,824)
EXPENSES				
Program - grants, gifts, and scholarships	346,838	-	-	346,838
General and administrative	88,942	-	-	88,942
Fundraising	30,264	-	-	30,264
TOTAL EXPENSES	466,044	-	-	466,044
CHANGE IN NET ASSETS BEFORE IMPAIRMENT LOSS, RESTATED (NOTE H)	(47,421)	(66,050)	(1,340,397)	(1,453,868)
IMPAIRMENT LOSS (NOTE F)	-	-	(35,000)	(35,000)
CHANGE IN NET ASSETS AFTER IMPAIRMENT LOSS, RESTATED (NOTE H)	(47,421)	(66,050)	(1,375,397)	(1,488,868)
NET ASSETS, BEGINNING, RESTATED (NOTE H)	246,348	88,788	6,810,768	7,145,904
NET ASSETS, ENDING	\$ 198,927	\$ 22,738	\$ 5,435,371	\$ 5,657,036

See notes to the financial statements.

CRAWFORD HERITAGE COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,907,946	\$ (1,488,868)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on value of investments	(1,650,536)	2,465,279
Realized loss on sale of investments	460,101	263,462
Non-cash contribution of land	12,500	-
Impairment loss on residential real estate	-	35,000
Decrease in accrued payroll taxes	-	(1,271)
Increase (decrease) in organizational endowment fund liability	170,455	(299,015)
Increase (decrease) in charitable remainder trust liability	<u>2,291</u>	<u>(49,613)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	902,757	924,974
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Net sales proceeds / purchases of investments	<u>(1,358,654)</u>	<u>(706,678)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(455,897)	218,296
CASH AND CASH EQUIVALENTS, BEGINNING	<u>731,014</u>	<u>512,718</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 275,117</u></u>	<u><u>\$ 731,014</u></u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Donated land received	<u><u>\$ 12,500</u></u>	<u><u>\$ -</u></u>
Impairment loss on residential real estate	<u><u>\$ -</u></u>	<u><u>\$ (35,000)</u></u>

See notes to the financial statements.

CRAWFORD HERITAGE COMMUNITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Crawford Heritage Community Foundation (formerly the Crawford Heritage Foundation) was established in 1998 as a community foundation to provide a framework for charitable giving to local worthy causes in Crawford County, Pennsylvania.

The Organization has the following types of funds:

Unrestricted Funds are those for which the Organization's Grant Committee makes a recommendation after review and evaluation. Unrestricted funds offer donors the maximum opportunity to respond to changing community needs.

Temporarily Restricted Funds are those for which the Organization has been limited by the donors to a specific time period or purpose.

Permanently Restricted Funds are those for which the donor's preferences of designations play a defined role in the grant making process. These funds include:

Area of Interest Funds - Donors identify broad areas of interest toward which the Organization's Grant Committee directs funding.

Donor Advised Funds - Donors have advisory privileges in the distributions or investment of amounts held in the donor advised funds.

Donor Designated Funds - Donors identify specific organizations or programs which are to consistently receive grants from their funds.

Scholarship Funds - Donors or businesses create a scholarship fund and may dictate criteria for the recipients such as underprivileged students, field of study, or academic merit.

Organizational Endowment Funds - Permanent funds for the ongoing support of specific nonprofit agencies.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include all monies in banks and highly liquid investments with a maturity of three months or less. A majority of cash and cash equivalents are held in investment accounts with PNC Bank which are not FDIC insured.

CRAWFORD HERITAGE COMMUNITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is stated at cost. Depreciation is calculated using the straight-line method based on a useful life of five years.

Expenditures for major renewals and betterments that extend the useful lives of equipment are capitalized. Expenditures for repairs and maintenance are charged to expenses as incurred. When equipment is retired or disposed of, the asset account and related accumulated depreciation accounts are reduced, and any gain or loss is included in operations.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with restrictions satisfied prior to the end of the reporting period are reported as unrestricted support.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Donated Goods and Services

The Organization records the value of donated goods when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. However, no amounts have been reflected in the statements for donated services as they do not meet the criteria as determined by the revenue recognition - contributed services topic of the FASB Accounting Standards Codification. Nonetheless, a substantial number of volunteers donate significant amounts of their time in the Organization's program services.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has no provision for federal or state income taxes.

Interest and penalties related to income tax reporting are recognized when incurred and are included in general and administrative expenses on the statements of activities. The Organization's returns are subject to audit by various taxing authorities. The open audit periods for the Organization are 2006, 2007, 2008, and 2009. The Organization follows the topic of income taxes from the FASB ASC with regard to the accounting and recognition of income tax positions taken or expected to be taken in the Organization's tax returns.

CRAWFORD HERITAGE COMMUNITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Organization invests or holds a variety of investment vehicles, included common stock, corporate and government obligations, and mutual funds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments, which could materially affect amounts reported in the financial statements.

Concentrations

The majority of the Organization's investments are held at one financial institution.

During 2009, the Organization received approximately 78% of its cash contributions from one donor.

Fair Value of Financial Instruments

Cash and cash equivalents approximate fair value due to the short-term maturities of those instruments.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 12, 2010, the date the financial statements were issued.

NOTE B - INVESTMENTS

Investments are stated at fair market value with the resulting realized and unrealized gains and losses included in the statement of activities. As of December 31, 2009 and 2008, the Organization's investments consisted primarily of mutual funds, money market funds and common stock. Market value is determined by the quoted market price at the date of the statement of financial position.

Investment Policies

The investment objective of the funds is to maximize total return by investing in diversified portfolios of stock and bond investments. As the primary goal of these funds is to be used at the discretion of the Crawford Heritage Community Foundation, or that of the donor in some cases, to provide perpetual funding for Crawford County's charitable, religious, scientific, literary and educational needs, we realize that principal growth is a primary goal. However, given our donor's trust and generosity, prudent standards as outlined below are to be followed to minimize long- term risks and fluctuations in principal, and to produce a reasonable and prudent return of income.

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

Spending Policies

The granting objective of the Crawford Heritage Community Foundation is to maximize the amount of annual distributions without jeopardizing long-term potential distributions. As the investment goal is to maximize total return, it is understood that some of the principal growth in addition to the income may be used annually for distribution requirements.

Cash and cash equivalents and investments as of December 31, 2009 and 2008 are summarized as follows:

	Cost	2009 Market Value	Carrying Amount
Unrestricted Fund:			
PNC Advisors	\$ 258,170	\$ 297,869	\$ 297,869
Temporarily Restricted Funds:			
Charitable Remainder Trusts			
PNC Advisors	167,229	167,600	167,600
Non-Endowed Donor Advised Funds			
Wells Fargo (formerly Wachovia)	8,568	8,568	8,568
Permanently Restricted Funds:			
Donor Advised Funds			
PNC Advisors	31,417	30,676	30,676
Donor Designated Funds			
PNC Advisors	4,845,748	5,244,863	5,244,863
PNC (formerly National City)	282,150	284,496	284,496
Area of Interest Funds			
PNC Advisors	55,661	57,624	57,624
PNC (formerly National City)	266,371	275,047	275,047
Organizational Endowment Funds			
PNC Advisors	418,181	434,414	434,414
PNC (formerly National City)	397,891	423,973	423,973
Scholarship Funds			
PNC Advisors	634,929	667,669	667,669
PNC (formerly National City)	626,045	645,466	645,466
Charitable Remainder Trusts			
PNC Advisors	145,930	144,547	144,547
	\$ 8,138,290	\$ 8,682,812	\$ 8,682,812

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

	2008		
	Cost	Market Value	Carrying Amount
Unrestricted Fund:			
PNC Advisors	\$ 177,995	\$ 200,315	\$ 200,315
Temporarily Restricted Funds:			
Charitable Remainder Trusts			
PNC Advisors	199,364	151,981	151,981
Non-Endowed Donor Advised Funds			
Wells Fargo (formerly Wachovia)	24,707	24,707	24,707
Permanently Restricted Funds:			
Donor Advised Funds			
PNC Advisors	33,495	23,571	23,571
Donor Designated Funds			
PNC Advisors	4,314,914	3,752,370	3,752,370
PNC (formerly National City)	342,397	242,327	242,327
Area of Interest Funds			
PNC Advisors	56,825	44,431	44,431
PNC (formerly National City)	308,257	237,061	237,061
Organizational Endowment Funds			
PNC Advisors	415,227	326,679	326,679
PNC (formerly National City)	456,837	361,253	361,253
Scholarship Funds			
PNC Advisors	673,342	535,020	535,020
PNC (formerly National City)	738,583	553,782	553,782
Charitable Remainder Trusts			
PNC Advisors	166,179	121,623	121,623
	<u>\$ 7,908,122</u>	<u>\$ 6,575,120</u>	<u>\$ 6,575,120</u>

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

The following schedules summarize the investment income (loss) and its classification in the statement of activities for the years ended December 31, 2009 and 2008:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest	\$ 5,542	\$ 3,204	\$ 178,152	\$ 186,898
Capital gain distributions	186	33	3,214	3,433
Realized gain (loss) on sale of investments	1,037	(8,127)	(453,011)	(460,101)
Unrealized gain on value of investments	56,505	47,754	1,546,277	1,650,536
Total investment income	<u>\$ 63,270</u>	<u>\$ 42,864</u>	<u>\$ 1,274,632</u>	<u>\$ 1,380,766</u>

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest	\$ 5,100	\$ 3,467	\$ 146,425	\$ 154,992
Capital gain distributions	1,528	815	33,601	35,944
Cash in lieu	-	-	1,290	1,290
Realized gain (loss) on sale of investments	2,927	(420)	(280,480)	(277,973)
Unrealized loss on value of investments	(43,175)	(78,688)	(2,030,324)	(2,152,187)
Total investment income (loss)	<u>\$ (33,620)</u>	<u>\$ (74,826)</u>	<u>\$ (2,129,488)</u>	<u>\$ (2,237,934)</u>

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

The following schedules summarize the Organization's investments, at fair market value, by fund and type as of December 31, 2009 and 2008:

	2009				Total
	Common Stock	Mutual Funds	Fixed Income Bonds	Money Market Funds	
Unrestricted Fund:					
PNC Advisors	\$ -	\$ 260,732	\$ -	\$ 37,137	\$ 297,869
Temporarily Restricted Funds:					
Charitable Remainder Trusts					
PNC Advisors	-	163,148	-	4,452	167,600
Non-Endowed Donor Advised					
Wells Fargo (formerly Wachovia)	-	-	-	8,568	8,568
Permanently Restricted Funds:					
Donor Advised Funds					
PNC Advisors	-	30,278	-	398	30,676
Donor Designated Funds					
PNC Advisors	2,293,935	2,639,255	155,764	155,909	5,244,863
PNC (formerly National City)	-	280,125	-	4,371	284,496
Area of Interest Funds					
PNC Advisors	-	56,006	-	1,618	57,624
PNC (formerly National City)	-	266,341	-	8,706	275,047
Organizational					
Endowment Funds					
PNC Advisors	-	425,297	-	9,117	434,414
PNC (formerly National City)	-	420,918	-	3,055	423,973
Scholarship Funds					
PNC Advisors	-	652,194	-	15,475	667,669
PNC (formerly National City)	-	624,388	-	21,078	645,466
Charitable Remainder Trusts					
PNC Advisors	-	139,314	-	5,233	144,547
	<u>\$ 2,293,935</u>	<u>\$ 5,957,996</u>	<u>\$ 155,764</u>	<u>\$ 275,117</u>	<u>\$ 8,682,812</u>

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

	2008				
	Common Stock	Mutual Funds	Fixed Income Bonds	Money Market Funds	Total
Unrestricted Fund:					
PNC Advisors	\$ -	\$ 198,160	\$ -	\$ 2,155	\$ 200,315
Temporarily Restricted Funds:					
Charitable Remainder Trusts					
PNC Advisors	-	148,131	-	3,850	151,981
Non-Endowed Donor Advised					
Wells Fargo (formerly Wachovia)	-	-	-	24,707	24,707
Permanently Restricted Funds:					
Donor Advised Funds					
PNC Advisors	-	21,594	-	1,977	23,571
Donor Designated Funds					
PNC Advisors	1,668,409	1,359,022	194,804	530,135	3,752,370
National City	-	231,273	-	11,054	242,327
Area of Interest Funds					
PNC Advisors	-	42,424	-	2,007	44,431
National City	-	226,219	-	10,842	237,061
Organizational Endowment Funds					
PNC Advisors	-	305,741	-	20,938	326,679
National City	-	341,011	-	20,242	361,253
Scholarship Funds					
PNC Advisors	-	463,771	-	71,249	535,020
National City	-	527,554	-	26,228	553,782
Charitable Remainder Trusts					
PNC Advisors	-	115,993	-	5,630	121,623
	<u>\$ 1,668,409</u>	<u>\$ 3,980,893</u>	<u>\$ 194,804</u>	<u>\$ 731,014</u>	<u>\$ 6,575,120</u>

Endowments

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. In Pennsylvania, those laws are found in 15 Pa C.S. 5548.

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of Trustees has interpreted the law as requiring the preservation of the fair value of corpus of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All unspent appreciation, depreciation and income is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with 15 Pa C.S. 5548.

The following schedules summarize the Organization's changes in endowment net assets as of December 31, 2009 and 2008:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, 1/1/09	\$ 200,315	\$ 24,707	\$ 6,076,494	\$ 6,301,516
Investment Return				
Dividends and interest	5,542	9	175,573	181,124
Capital gain distributions	186	-	3,182	3,368
Realized gain (loss) on sale of investments	1,037	-	(443,350)	(442,313)
Unrealized gain on value of investments	56,505	-	1,503,103	1,559,608
	<u>63,270</u>	<u>9</u>	<u>1,238,508</u>	<u>1,301,787</u>
Contributions	63,693	18,471	936,145	1,018,309
Grants or scholarships	(7,480)	(34,299)	(300,491)	(342,270)
Change in Organizational Endowment Funds	-	-	177,794	177,794
Amounts appropriated for expenditures	(21,929)	(320)	(64,222)	(86,471)
Endowment net assets, 12/31/09	<u>\$ 297,869</u>	<u>\$ 8,568</u>	<u>\$ 8,064,228</u>	<u>\$ 8,370,665</u>
	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, 1/1/08	\$ 249,007	\$ -	\$ 7,677,386	\$ 7,926,393
Investment Return				
Dividends and interest	5,100	62	145,156	150,318
Capital gain distributions	1,528	-	32,877	34,405
Realized gain (loss) on sale of investments	2,927	-	(280,785)	(277,858)
Unrealized loss on value of investments	(43,175)	-	(1,964,736)	(2,007,911)
	<u>(33,620)</u>	<u>62</u>	<u>(2,067,488)</u>	<u>(2,101,046)</u>

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE B - INVESTMENTS (CONTINUED)

Contributions	16,749	30,185	1,181,823	1,228,757
Grants or scholarships	(10,405)	(5,500)	(330,088)	(345,993)
Change in Organizational Endowment Funds	-	-	(290,784)	(290,784)
Amounts appropriated for expenditures	<u>(21,416)</u>	<u>(40)</u>	<u>(94,355)</u>	<u>(115,811)</u>
Endowment net assets, 12/31/08	<u>\$ 200,315</u>	<u>\$ 24,707</u>	<u>\$ 6,076,494</u>	<u>\$ 6,301,516</u>

NOTE C - ORGANIZATIONAL ENDOWMENT FUNDS

The Organization enters into agreements with nonprofit agencies whereby the nonprofit agencies set up endowment funds with the Organization. Under the terms of the agreements, the Organization agrees to make distributions back to the nonprofit agencies. The assets held in these funds totaled \$858,387 and \$687,932 at December 31, 2009 and 2008, respectively, and are reported at fair market value in the statement of financial position as assets and a corresponding liability.

NOTE D - CHARITABLE REMAINDER TRUSTS

The Organization administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the term of the trust (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Organization's use. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of activities as a contribution in the period the trust is established. Assets held in the charitable remainder trusts totaled \$312,147 and \$273,604 at December 31, 2009 and 2008, respectively, and are reported at fair market value in the statement of financial position. The present value of the estimated future payments, \$258,074 and \$255,783 at December 31, 2009 and 2008, respectively, was calculated using discount rates ranging from 4.0% to 7.4% and applicable mortality tables.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Trust and endowment investments: The fair value of investments is based on quoted market prices for those or similar investments.

Charitable remainder trusts: The fair value is based on discount rates and applicable mortality tables.

Residential real estate held for sale: The fair value of the residential real estate was based on the selling price in January, 2009 which approximated fair value.

The fair value measurements and disclosures topic of the FASB Accounting Standards Codification defines fair value as 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. The standard describes three levels of inputs that may be used to measure fair value:

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

Fair Value Measurements at December 31, 2009:				
	Fair Value	Level 1	Level 2	Level 3
Trust investments	\$ 312,147	\$ 312,147	\$ -	\$ -
Endowment investments	8,370,665	8,370,665	-	-
Charitable remainder trusts	258,074	-	-	258,074

Fair Value Measurements at December 31, 2008:				
	Fair Value	Level 1	Level 2	Level 3
Trust investments	\$ 273,604	\$ 273,604	\$ -	\$ -
Endowment investments	6,301,516	6,301,516	-	-
Charitable remainder trusts	255,783	-	-	255,783
Residential real estate held for sale	27,000	-	-	27,000

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended December 31, 2009:

	Charitable Remainder Trusts	Residential Real Estate Held for Sale
Balance, beginning of year	\$ 255,783	\$ 27,000
Change in value	37,305	-
Sales	-	(27,000)
Distributions	(35,014)	-
Balance, end of year	\$ 258,074	\$ -

The change in value for charitable remainder trusts is reported in net loss from charitable remainder trusts in the statement of activities.

CRAWFORD HERITAGE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE F - REAL ESTATE HELD FOR SALE

A donor made a gift of residential real estate valued at \$62,000 during 2007. The intent of the donor was for the gift to be liquidated and that any funds received from the liquidation be placed in a donor designated fund. The residential real estate was sold in January, 2009 for \$27,000. At December 31, 2008, the Organization recognized an impairment loss of \$35,000 on the residential real estate held for sale.

A donor made a gift of vacant land valued at \$12,500 during 2009. The intent of the donor was for the gift to be liquidated and that any funds received from the liquidation be placed in a donor designated fund. The vacant land was sold in September, 2009 for \$12,000.

NOTE G - SUBSEQUENT EVENT

In June, 2010, the Organization received a donation in the amount of \$1,176,741. Eighty percent of the funds will be used for the creation of a local annually awarded scholarship, while the remaining dollars will be distributed yearly to Operation Smile, a Norfolk, Va.-based international charity.

NOTE H - RESTATEMENT

The financial statements for the year ended December 31, 2008 have been restated to correct the following:

In prior years, the Organization has reported the receipt of its organizational endowment funds as a contribution. Accounting principles generally accepted in the United States of America require that these type of transactions be recorded as a liability, rather than as a contribution.

Effect on beginning net assets for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, 1/1/08 - as previously reported	\$ 246,348	\$ 88,788	\$ 7,797,715	\$ 8,132,851
Decrease in net assets due to correction	-	-	(986,947)	(986,947)
Net assets, 1/1/08 - as restated	<u>\$ 246,348</u>	<u>\$ 88,788</u>	<u>\$ 6,810,768</u>	<u>\$ 7,145,904</u>

Effect on change in net assets for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, 1/1/08 - as restated	\$ 246,348	\$ 88,788	\$ 6,810,768	\$ 7,145,904
Change in net assets - as previously reported	(47,421)	(66,050)	(1,674,413)	(1,787,884)
Increase in change in net assets due to correction	<u>-</u>	<u>-</u>	<u>299,016</u>	<u>299,016</u>
Change in net assets - as restated	<u>(47,421)</u>	<u>(66,050)</u>	<u>(1,375,397)</u>	<u>(1,488,868)</u>
Net assets, 12/31/08 - as restated	<u>\$ 198,927</u>	<u>\$ 22,738</u>	<u>\$ 5,435,371</u>	<u>\$ 5,657,036</u>