



(A CALIFORNIA NON-PROFIT CORPORATION)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2009 and 2008



**FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)**

Years Ended December 31, 2009 and 2008

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HEBERGER
& MERRITT INC
Certified Public Accountants

A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fresno Regional Foundation
Fresno, California

We have audited the accompanying Statement of Financial Position of Fresno Regional Foundation, (a California non-profit corporation) as of December 31, 2009 and 2008, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended. These financial statements are the responsibility of Fresno Regional 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 above present fairly, in all material respects, the financial position of Fresno Regional Foundation as of December 31, 2009 and 2008, 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.

Heberger & Merritt

September 15, 2010

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS

	2009	2008
Cash and Cash Equivalents	\$ 2,973,995	\$ 4,706,065
Certificates of Deposit	749,105	350,510
Investment Securities	20,538,523	15,350,150
Assessment Fees and Other Receivables	42,443	1,489
Contributions Receivable	3,197,194	1,255,530
Bequest Receivable	2,294,500	-
Prepaid Expenses and Other Assets	23,370	28,171
Property and Equipment, Net	28,969	31,444
Interest in Net Assets of Supporting Organization	14,928,032	16,985,046
Land Held for Investment	1,756,816	3,390,316
Total Assets	\$ 46,532,947	\$ 42,098,721

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 34,107	\$ 6,208
Accrued Expenses	14,528	18,631
Grants Payable	144,100	131,700
Agency and Trust Funds	2,174,917	1,494,359
Pledges Payable, Net	5,412,313	4,615,214
Total Liabilities	7,779,965	6,266,112

Commitments and Contingencies

Net Assets:

Unrestricted	7,947,510	7,344,906
Temporarily Restricted	20,456,081	22,613,106
Permanently Restricted	10,349,391	5,874,597
Total Net Assets	38,752,982	35,832,609
Total Liabilities and Net Assets	\$ 46,532,947	\$ 42,098,721

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support:				
Gifts and Contributions	\$ 152,538	\$ 1,825,144	\$ 4,447,488	\$ 6,425,170
Administrative Assessments	444,160	-	-	444,160
Investment Gains (Losses), Net	455,735	(657,018)	70,408	(130,875)
Grant Income	4,293,338	-	-	4,293,338
Other Income	7,977	-	-	7,977
Total Revenues and Support before Net Assets Released from Restriction	5,353,748	1,168,126	4,517,896	11,039,770
Net Assets Released from Restrictions	<u>3,368,253</u>	<u>(3,325,151)</u>	<u>(43,102)</u>	<u>-</u>
Total Revenue and Support after Net Assets Released from Restriction	8,722,001	(2,157,025)	4,474,794	11,039,770
Costs and Expenses:				
Program Services	7,322,535	-	-	7,322,535
Supporting Services	449,538	-	-	449,538
Fund Raising	347,324	-	-	347,324
Total Costs and Expenses	<u>8,119,397</u>	<u>-</u>	<u>-</u>	<u>8,119,397</u>
Change in Net Assets	602,604	(2,157,025)	4,474,794	2,920,373
Net Assets, Beginning of Year	<u>7,344,906</u>	<u>22,613,106</u>	<u>5,874,597</u>	<u>35,832,609</u>
Net Assets, End of Year	<u>\$ 7,947,510</u>	<u>\$20,456,081</u>	<u>\$10,349,391</u>	<u>\$38,752,982</u>

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support:				
Gifts and Contributions	\$ 431,854	\$ 3,818,085	\$ 954,978	\$ 5,204,917
Administrative Assessments	433,184	-	-	433,184
Investment Losses, Net	(4,622,968)	(873,494)	(1,130,686)	(6,627,148)
Grant Income	1,493,314	586,700	-	2,080,014
Other Income	7,846	-	-	7,846
Total Revenues and Support before Net Assets Released from Restriction	(2,256,770)	3,531,291	(175,708)	1,098,813
Net Assets Released from Restrictions	<u>1,817,124</u>	<u>(1,756,017)</u>	<u>(61,107)</u>	<u>-</u>
Total Revenues and Support after Net Assets Released from Restriction	<u>(439,646)</u>	<u>1,775,274</u>	<u>(236,815)</u>	<u>1,098,813</u>
Costs and Expenses:				
Program Services	9,353,198	-	-	9,353,198
Supporting Services	184,255	-	-	184,255
Fund Raising	223,863	-	-	223,863
Total Costs and Expenses	<u>9,761,316</u>	<u>-</u>	<u>-</u>	<u>9,761,316</u>
Change in Net Assets	(10,200,962)	1,775,274	(236,815)	(8,662,503)
Net Assets, Beginning of Year	<u>17,545,868</u>	<u>20,837,832</u>	<u>6,111,412</u>	<u>44,495,112</u>
Net Assets, End of Year	<u>\$ 7,344,906</u>	<u>\$22,613,106</u>	<u>\$ 5,874,597</u>	<u>\$35,832,609</u>

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Program Services	Supporting Services	Fund Raising	Total Expenses
Salaries	\$ 164,962	\$ 174,468	\$ 134,798	\$ 474,228
Payroll Taxes and Benefits	33,414	35,340	27,304	96,058
Workman's Compensation	1,889	1,997	1,543	5,429
Total Personnel Costs	<u>200,265</u>	<u>211,805</u>	<u>163,645</u>	<u>575,715</u>
Accounting and Audit	8,648	9,146	7,066	24,860
Administrative Assessments	105,049	111,104	85,841	301,994
Board Receptions	3,727	3,942	3,045	10,714
Capacity Building	2,993	3,165	2,445	8,603
Education and Training	4,734	5,007	3,868	13,609
Fees and Memberships	3,724	3,938	3,043	10,705
Gifts, Grants and Program Events	6,897,478	-	-	6,897,478
Insurance	4,989	5,276	4,077	14,342
Investment Management Services	24,339	25,742	19,889	69,970
Legal Fees	1,909	2,018	1,559	5,486
Loss on Sale of Assets	633	667	516	1,816
Marketing and Advertising	6,440	6,811	5,263	18,514
Meeting, Luncheons, Dinners	673	712	550	1,935
Office Supplies	14,298	15,125	11,686	41,109
Other	2,208	2,335	1,804	6,347
Printing	3,785	4,002	3,092	10,879
Project Consultants	1,167	1,234	954	3,355
Rent and Related	16,606	17,562	13,569	47,737
Taxes & Licenses	8,112	8,579	6,628	23,319
Telephone and Internet	3,679	3,881	2,999	10,559
Travel and Auto	2,586	2,735	2,113	7,434
Sub-Total	<u>7,117,777</u>	<u>232,981</u>	<u>180,007</u>	<u>7,530,765</u>
Total Expenses Before Depreciation	7,318,042	444,786	343,652	8,106,480
Depreciation	4,493	4,752	3,672	12,917
Total Costs and Expenses	<u>\$ 7,322,535</u>	<u>\$ 449,538</u>	<u>\$ 347,324</u>	<u>\$ 8,119,397</u>

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	Program Services	Supporting Services	Fund Raising	Total Expenses
Salaries	\$ 197,181	\$ 92,334	\$ 112,183	\$ 401,698
Payroll Taxes and Benefits	36,816	17,239	20,945	75,000
Workman's Compensation	2,286	1,070	1,301	4,657
Total Personnel Costs	<u>236,283</u>	<u>110,643</u>	<u>134,429</u>	<u>481,355</u>
Accounting and Audit	11,290	5,287	6,423	23,000
Administrative Assessments	154,358	72,281	87,819	314,458
Board Receptions	1,306	612	743	2,661
Capacity Building	16,995	7,961	9,672	34,628
Education and Training	278	131	159	568
Fees and Memberships	9,107	4,264	5,181	18,552
Gifts, Grants and Program Events	8,571,933	-	-	8,571,933
Insurance	7,206	3,375	4,100	14,681
Investment Management Services	36,002	16,859	20,483	73,344
Legal Fees	7,032	3,292	4,000	14,324
Marketing and Advertising	21,831	10,226	12,423	44,480
Meeting, Luncheons, Dinners	2,218	1,038	1,261	4,517
Office Supplies	16,418	7,689	9,342	33,449
Other	8,292	3,884	4,719	16,895
Printing	5,558	2,603	3,162	11,323
Project Consultants	981	460	559	2,000
Rent and Related	22,467	10,521	12,782	45,770
Taxes & Licenses	10,853	5,082	6,175	22,110
Telephone and Internet	5,721	2,679	3,256	11,656
Travel and Auto	3,278	1,535	1,865	6,678
Sub-Total	<u>9,110,566</u>	<u>70,639</u>	<u>85,822</u>	<u>9,267,027</u>
Total Expenses Before Depreciation	9,346,849	181,282	220,251	9,748,382
Depreciation	6,349	2,973	3,612	12,934
Total Costs and Expenses	<u>\$ 9,353,198</u>	<u>\$ 184,255</u>	<u>\$ 223,863</u>	<u>\$ 9,761,316</u>

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 2,920,373	\$ (8,662,503)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used In) Operating Activities:		
Depreciation	12,917	12,934
Loss on Disposition of Property and Equipment	3,116	-
Investment Losses, Net	130,875	6,627,148
Donated Securities	(376,180)	(737,837)
Contributions of Supporting Organization	-	(1,936,550)
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(1,941,664)	(403,680)
Bequest Receivable	(2,294,500)	1,760,000
Assessment Fees and Other Receivables	(40,954)	134,207
Prepaid Expenses and Other Assets	4,801	(9,748)
Accounts and Grants Payable	40,299	127,419
Pledges Payable, Net	797,099	4,615,214
Accrued Expenses	(4,103)	501
Agency and Trust Funds	680,558	852,235
Net Cash Provided By (Used In) Operating Activities	(67,363)	2,379,340
Cash Flows Provided By (Used In) Investing Activities:		
Agency and Trust Funds	(680,558)	(852,235)
Purchase of Property and Equipment	(13,558)	(6,028)
Purchase of Investment Securities	(7,291,919)	(10,416,895)
Proceeds From Sales of Investment Securities	6,321,328	8,683,125
Net Cash Used In Investing Activities	(1,664,707)	(2,592,033)
Decrease in Cash and Cash Equivalents	(1,732,070)	(212,693)
Cash and Cash Equivalents, Beginning of Year	4,706,065	4,918,758
Cash and Cash Equivalents, End of Year	\$ 2,973,995	\$ 4,706,065

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 1 – Organization and Operations

The Fresno Regional Foundation (the “Foundation”) is a California non-profit corporation formed in 1966 for the purpose of improving the quality of life in the Central San Joaquin Valley. It promotes and encourages charitable giving, provides grants to qualified organizations and projects, and administers funds established by donors and others for the benefit of the community. The Foundation is primarily supported by contributions and grants from the general public, private foundations, investment earnings and administrative fees from services as a fiscal agent and fund manager.

The Foundation administers approximately 160 separate donor funds established by businesses and individuals for various charitable purposes. Funds provided to the Foundation by such donors are administered in accordance with the terms established by the donors and/or the Foundation’s Board of Directors, as appropriate. The Foundation generally assesses each fund a monthly administration fee based on the fund’s average balance for investment management activities.

Note 2 – Summary of Significant Accounting Policies

Donations and Grants

Donations and Grants are recorded as Unrestricted, Temporarily Restricted, or Permanently Restricted depending on the existence or nature of donor-imposed restrictions. Donations and grants, including unconditional promises to give are recorded in the year the contribution is made or received. When a donor restriction expires, either when a stipulated time restriction ends or a purpose restriction is accomplished, Temporarily Restricted Net Assets are reclassified to Unrestricted Net Assets and reported in the Statement of Activities as Net Assets Released From Restrictions. Donations received and expended in the same fiscal year are recorded as Unrestricted Funds. Unrestricted Net Assets also include decreases in the fair market value of any Permanently Restricted Net Assets.

Permanently Restricted Funds consist of amounts donated by specific individuals with the understanding that the amounts contributed shall be maintained in perpetuity. Generally, investment earnings, including capital appreciation on the Foundation’s Permanent Restricted Funds are available to fund various Foundation activities. Investment earnings and investment gains and losses are classified as Temporarily Restricted or Unrestricted Funds as appropriate.

See Independent Auditor’s Report.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Agency and Trust Funds

The Foundation also serves as a fiscal agent for third party donors that conduct various community programs. As a fiscal agent, the Foundation has received funds with donor-imposed restrictions for which it does not have either 1) a unilateral right to redirect the funds to other uses (“variance power”) or 2) significant involvement in the determination of specific beneficiaries. Such funds are not considered contributions and are recorded as Agency and Trust Fund liabilities. Changes in the Agency and Trust Fund liabilities are reported separately and are not included in the Foundation’s Statement of Activities.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets (Permanently Restricted Funds) that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return 8%, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributable from the Foundations’ various endowed funds for grants and administration, if it’s been earned. At December 31, 2009, the current spending policy seeks to distribute an amount equal to 4% of the fund balance. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 2% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Fair Value of Certain Financial Instruments

The Foundation considers its cash and cash equivalents, assessment fees and other receivables, prepaid expenses and other assets, accounts payable, grants payable and accrued expenses to be short-term in nature, and therefore their fair values approximate their carrying values.

See Independent Auditor’s Report.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Investment Securities

The Foundation maintains master trust and brokerage accounts for the investment of Agency and Trust Funds and certain of its Net Assets. All of the Foundation's investment securities are available for sale. Investment income and expenses, including realized and unrealized gains and losses, are generally allocated to the various donor funds based on their relative fair values. Investment income, including unrealized gains and losses, interest, dividends and related items are recognized in the Statements of Activities or Agency and Trust Funds Liability, as appropriate, as they occur. The Foundation's investment managers or advisors estimate such investments at their fair values based on quoted closing brokerage prices or other factors.

Cash and Cash Equivalents

Cash and cash equivalents consist of various demand and interest bearing accounts on deposit with insured financial and brokerage institutions. The Foundation considers all investments with an original maturity of three months or less to be cash equivalents.

Land Held For Investment

Land held for investment is stated at cost or its fair value on the date donated, as determined by real estate sales options applicable to the land, formal real estate appraisals and/or the Foundation's real estate consultant, less any sales option deposits collected. Appreciation or declines in land value during the year are recorded as unrealized gains or losses in the Statement of Activities.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the fair value at the date of donation. All assets acquired by the Foundation whose initial value or cost exceeds \$1,000 are capitalized and depreciated. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation and amortization are recorded using the straight-line method over estimated useful lives of 3 to 7 years.

Donated In-Kind Gifts and Services

Donated in-kind gifts are recognized as contributions if they have ascertainable fair values and are able to be realized in cash or other liquid assets. Donated services are recognized as contributions if they 1) significantly enhance non-financial assets or 2) involve a service that would otherwise have been purchased and whose values can be objectively measured. The Foundation received in-kind gifts during the year ended December 31, 2009 valued at \$7,500 and did not receive any donated gifts or services during the year ended December 31, 2008.

See Independent Auditor's Report.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Marketing and Advertising

The Foundation expenses all marketing and advertising costs as incurred. Total marketing and advertising costs for the years ended December 31, 2009 and 2008 were \$18,514 and \$44,480, respectively.

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

Tax Exempt Status

The Foundation has qualified as a non-profit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d).

Interest in Net Assets of Supporting Organizations

The Foundation accounts for its interests in qualifying Supporting Organizations using the equity method of accounting. The Foundation's Interest in the Net Assets of Supporting Organizations is increased when the Supporting Organizations receive donations or have operating income or gains. Its interest is decreased when the Supporting Organizations incur costs, expenses, losses or make donations to the Foundation or other qualifying charitable organizations. Increases in the Foundation's Interest in Net Assets of Supporting Organizations are considered contributions and included with the Foundation's Temporarily Restricted Funds. When the Supporting Organization makes donations to the Foundation, such amounts are generally classified as Unrestricted Funds. Decreases, if any, in the Foundation's Interest in Net Assets of Supporting Organizations are deemed to be investment losses.

Functional Classification of Expenses

The costs of providing the Foundation's various charitable and general services have been summarized on a functional basis in the Statement of Activities. Accordingly, direct and indirect expenses have been allocated to program services or other activities based on their specific identification or the personnel resources utilized in the function. Supporting services consist principally of general, administrative and management costs not directly allocable to Program Services or Fundraising Activities.

See Independent Auditor's Report.

FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2008 financial statements in order to conform to the presentation shown. These reclassifications had no effect on the change in net assets in 2008 or total net assets at December 31, 2009.

Note 3 – Property and Equipment, Net

Property and equipment consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Furniture, Fixtures and Office Equipment	\$ 113,396	\$ 112,674
Less Accumulated Depreciation	<u>(84,427)</u>	<u>(81,230)</u>
Total Property and Equipment, Net	<u>\$ 28,969</u>	<u>\$ 31,444</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$12,917 and \$12,934, respectively.

Note 4 – Investment Securities

Investment securities consist of the following at December 31:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 13,848,935	\$ 11,952,506	\$ 13,432,288	\$ 8,629,165
Fixed Income	8,109,344	8,126,661	7,072,328	6,280,570
Mutual Funds	447,953	459,356	482,678	440,415
Total Investments	<u>\$ 22,406,232</u>	<u>\$ 20,538,523</u>	<u>\$ 20,987,294</u>	<u>\$ 15,350,150</u>

At December 31, 2009, approximately \$17,943,000 of the Foundation's funds, including approximately \$404,000 of its cash and cash equivalents, were held in custodial accounts at SEI Private Trust Company. These custodial accounts are managed by SEI Investments ("SEI"), an independent investment management and advisory firm. The investment securities, cash and cash equivalents are invested primarily in SEI sponsored mutual funds and investment pools. At December 31, 2009, approximately 38% of the Foundation's total investment securities were invested in SEI Large and Small "Cap" Funds, and approximately 25% was invested in SEI Core Fixed Income Funds.

See Independent Auditor's Report.

FRESNO REGIONAL FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 4 – Investment Securities (Continued)

SEI manages the Foundation’s funds in accordance with an Investment Policy established by the Foundation’s Investment Committee after considering the Foundation’s needs for near term financial resources, appropriate asset allocations and diversification. SEI provides insurance to protect the Foundation’s custodial account balances from SEI’s 1) errors and omissions, an aggregate of \$75,000,000 applicable to all accounts, including the Foundation’s or 2) employees’ dishonesty, a total of \$60,000,000 per occurrence. These custodial accounts are not insured by the Securities Investor Protection Corporation (“SIPC”) or the Federal Deposit Insurance Corporation (“FDIC”).

At December 31, 2009, approximately \$2,884,000 of the Foundation’s funds, including approximately \$2,135,000 of cash and cash equivalents and approximately \$749,000 of certificates of deposit, were held by Morgan Stanley, an independent investment management and advisory firm. The funds with Morgan Stanley are covered by a combination of insurance provided by FDIC, SIPC and private insurance provided by Morgan Stanley.

At December 31, 2009, approximately \$3,159,000 of the Foundation’s funds, including approximately \$159,000 of cash and cash equivalents was held by Credit Suisse, an independent investment management and advisory firm. The funds with Credit Suisse are covered by a combination of insurance provided by FDIC, SIPC and private insurance provided by Credit Suisse.

The Foundation also maintains cash balances in various accounts with other financial institutions. At December 31, 2009 and 2008, there were no amounts in excess of insurance provided by either the FDIC or SIPC.

The Foundation’s investment activities for 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Interest and Dividends	\$ 590,765	\$ 856,384
Unrealized Losses	(462,496)	(6,988,785)
Realized Losses	<u>(259,144)</u>	<u>(494,747)</u>
Total Investment Losses, Net	<u>\$ (130,875)</u>	<u>\$ (6,627,148)</u>

The Foundation’s unrealized losses of \$462,496 for the year ended December 31, 2009 comprised of \$2,057,014 of unrealized loss in Interest of Net Assets of Supporting Organization, \$1,633,500 unrealized loss in Land Held-for-Investments and \$3,228,018 of unrealized gain in investment securities.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the levels of risk associated with certain investment securities, it is at least reasonably possible that changes, either increases or decreases, in the values of investment securities will occur in the near term and those changes could materially affect the Foundation’s account balances and amounts reported in the Statement of Activities.

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FRESNO REGIONAL FOUNDATION
(A CALIFORNIA NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008

Note 5 – Contributions Receivable

Contributions Receivable comprise amounts due from grantors for the implementation of various community programs activities and services. The Foundation generally has discretion as to how funds are disbursed and expended for such programs and services. Grants are generally made by the Grantor in various annual progress installments, based upon contractual agreements. Grant progress payments are dependent upon approval by the Grantor of project or program progress reports.

The Foundation’s Contributions Receivable consists of the following at December 31:

	2009	2008
Hewlett Foundation	\$ 500,200	\$ 851,850
James Irvine Foundation	170,000	370,000
Westside Tule, USDA	26,994	33,680
Lyles Foundation, Supporting Organization	2,500,000	-
Total Contributions Receivable	\$ 3,197,194	\$ 1,255,530

Note 6 – Bequest Receivable

The Foundation was included as one of the beneficiaries of a decedents’ estate during the year ended December 31, 2008. At that time, the complete accounting and marshalling of assets had not yet been complete and amounts ultimately available to the Foundation from this estate were dependent upon future events and valuation assessments which could not be reasonably determined at that time.

During the year ended December 31, 2009, the Foundation received additional information for determining the amounts available to the Foundation from the estate. The Foundation is to receive cash and cash equivalents, agricultural real estate properties, residential real estate and a one-half interest in an agricultural entity. The fair values of the agricultural and residential real estate were determined by independent appraisers. The fair value of the bequest was \$2,294,500 and recorded as a 2009 contribution.

Note 7 – Land Held for Investment

The Foundation owns two commercial land parcels that were donated in the prior years. At December 31, 2009 and 2008, the fair value of the Foundation’s Land Held for Investment was \$1,756,816 and \$3,390,316, respectively. Accordingly, the Foundation recorded an unrealized loss related to the decline in fair value of one of the parcels of \$1,633,500 and \$550,500 during the years ended December 31, 2009 and 2008, respectively. These unrealized losses have been included in the Statement of Activities as Investment Losses in accordance with the Foundation’s policies.

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Note 8 – Agency and Trust Fund Liability

The Foundation's Agency and Trust Fund Liability activities consist of the following at December 31:

	2009	2008
Contributions	\$ 158,790	\$ 1,158,295
Grant Income	1,181,610	750,067
Bequest Pass-Thru	-	461,433
Investment Income (Expense):		
Interest and Dividends	53,074	32,831
Investment Gains (Losses), Net	323,580	(189,842)
Investment Management Fees	(6,284)	(2,358)
Administrative Assessments Paid to the Fresno Regional Foundation	(52,314)	(42,100)
Gifts and Grants Made	(977,898)	(1,316,091)
Total Agency and Trust Fund Activity	680,558	852,235
Agency and Trust Fund Balance, Beginning of Year	1,494,359	642,124
Agency and Trust Fund Balance, End of Year	\$ 2,174,917	\$ 1,494,359

Note 9 – Lease Commitment

During April 2009, the Foundation received an offer to relocate its administrative offices from the Lessor. The Foundation renegotiated the terms of its new administrative office lease and did not incur any penalties for early termination of its previous lease agreement. The previous lease expired January 2012, but was extended through January 2015 in accordance with the new lease terms. The base monthly rent of the new facility is \$2,925 until January 2012, and then will increase to \$4,783 per month through January 2015. In addition to the base rent, the Foundation is responsible for other costs related to common area maintenance of the facilities. The Foundation has the option to terminate this lease any time after January 2012 and upon nine months written notice to the Lessor.

Monthly rent expense is \$4,360 including common area maintenance costs. The aggregate future commitment remaining on this lease through January 2012 is approximately as follows: \$35,100 for 2010 and 2011, and \$2,925 for 2012.

Rent and related expense for the years ended December 31, 2009 and 2008 was \$47,737 and \$45,770, respectively.

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Note 10 – Pledges Payable, Net

The Foundation’s Pledges Payable consists of the following at December 31:

	2009	2008
Direct Pledge Payable	\$ 5,750,000	\$ 5,000,000
Less Present Value Factor	(411,452)	(426,776)
	5,338,548	4,573,224
Matching Pledge Payable	73,765	41,990
Total Pledges Payable, Net	\$ 5,412,313	\$ 4,615,214

College of the Sequoias and Visalian Friends of the Fox Theater Pledge

During the year ended December 31, 2009, the Foundation entered into two pledge agreements with the College of the Sequoias (“COS”) and the Visalian Friends of the Fox Theater (the “Theater”) for a total of \$2,000,000 and \$500,000, respectively.

In connection with the pledge to COS, funds are to be payable to and managed by the College of Sequoia Foundation (the “COS Foundation”). In accordance with the pledge agreement, \$1,300,000 shall be allocated towards the direct benefit of the College of Sequoia, and the remaining \$700,000 shall be allocated towards projects within the City of Visalia as deemed appropriate by COS Foundation. The pledge agreement states that the Foundation shall make four equal annual installments of \$500,000, with the first payment made March 2009 and consecutively through March 2012.

At December 31, 2009, this pledge was recorded at its net present value of \$1,417,384 utilizing a 3.00% interest rate factor that approximates the United States Treasury Bond rate for the discount period. The Foundation’s total grant expense recognized in accordance with this pledge agreement was \$1,917,384 for the year ended December 31, 2009.

The Foundation also entered into a \$500,000 pledge agreement with the Visalian Friends of the Fox Theater (the “Theater”). In accordance with the pledge agreement, funds are to be used at the discretion of the Theater’s Board of Directors for general operations and restoration of the Theater. The pledge agreement states that the Foundation shall make two equal annual installments of \$250,000, with the first payment due May 2009 and the remaining balance on March 2010. The Foundation’s total grant expense recognized in accordance with this pledge agreement was \$500,000 for the year ended December 31, 2009.

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Note 10 – Pledges Payable, Net (Continued)

California State University, Fresno Foundation Pledge

During the year ended December 31, 2008, the Foundation, its Supporting Organization and a donor to the Foundation (collectively the “Donors”) entered into a Pledge Agreement (the “Agreement”) with the California State University, Fresno Foundation (the “Recipient”) to support the Recipient’s College of Engineering (the “College”). The terms of the Agreement state that the Donors unconditionally pledge to irrevocably transfer to the Recipient a sum of up to Ten Million Dollars (\$10,000,000) in support of the College.

The Agreement states that Five Million Dollars (\$5,000,000) is to be paid in five equal consecutive annual installments beginning September 30, 2009 and recurring on each September 30th thereafter until September 30, 2013. In addition to the initial pledge of Five Million Dollars (\$5,000,000), the Donors pledge to match, on a dollar-for-dollar basis, up to an additional Five Million Dollars (\$5,000,000) for all monies raised by the Recipient for the benefit of the College, either through additional pledges or contributions from third parties, during the period beginning September 5, 2008 through September 30, 2013.

The net present value of this pledge was \$3,671,164 and \$4,573,224 at December 31, 2009 and 2008, respectively, utilizing a 3.00% interest rate factor that approximates the United States Treasury Bond rate for the discount period. For the years ended December 31, 2009 and 2008, the Recipient has raised an additional \$535,297 and \$41,990, respectively, in connection with the matching portion of the Agreement.

Note 11 – Retirement Plan

The Foundation maintains an Internal Revenue Code Section 403(b) plan (the “Plan”) for eligible employees administered by the American Funds Service Company. An employee becomes eligible to participate after completing 90 days of service. The Plan provides for the Foundation to make discretionary and/or matching contributions of up to 5% of the deferring employee’s salary. The Foundation’s matching contributions for the years ended December 31, 2009 and 2008 were \$18,445 and \$16,559, respectively.

Note 12 – Charitable Remainder and Other Trusts

The Foundation is named as a remainder beneficiary of at least six charitable remainder and other trusts administered by other trustees. The balances in the trusts and the income thereon, are available in various amounts to the life beneficiaries. In several cases, the donors have the right to change the beneficiary prior to their demise. Any balances remaining in the trusts upon the demise of the life beneficiaries may be distributed to the Foundation and/or other named beneficiaries. Amounts ultimately available to the Foundation from these trusts are dependent upon future events and cannot reasonably be determined. Such amounts are recognized as donations when the donor’s conditions are met and/or when received by the Foundation.

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Note 13 – Interest in Net Assets of Supporting Organizations

The Foundation is the named beneficiary of two Supporting Organizations. One of the Supporting Organizations was funded in 2002 and the other is to be funded upon the demise of the donor. Supporting Organizations are established by certain donors in connection with sponsoring non-profit organizations similar to the Foundation. Supporting Organizations have independent Boards of Directors with a majority of the members appointed by the Fresno Regional Foundation and the balance being selected by the donor.

The Lyles Foundation was established in October 2002 as a non-profit charitable trust and Supporting Organization to the Fresno Regional Foundation. The Indenture, which established the Lyles Foundation Trust, specifically states that it was organized to support the charitable activities of the Fresno Regional Foundation. Immediately following its organization, and again in 2009 and 2008, the Lyles Foundation Trust received donations consisting of shares of stock in privately held businesses that had an “S” election in effect for Federal and State of California income tax purposes. Future sales of the donated stock by the Lyles Foundation Trust as well as its share of the private company’s annual earnings give rise to an Unrelated Business Income Tax (“UBIT”). For this reason, the value of the donations for financial reporting purposes has been adjusted to reflect any estimated deferred tax liability. Any UBIT incurred is paid directly by the Lyles Foundation Trust. The value of any private company stock is determined by an independent business valuation expert upon donation and annually thereafter.

At December 31, the net assets of the Lyles Foundation consisted of the following:

	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 227,824	\$ -
Investment Securities	1,653,123	152,492
Lyles Diversified, Inc., Common Stock	9,567,043	9,121,231
Lyles United, LLC, Member Interest	6,659,584	5,101,569
Pelco Sales, Inc., Common Stock	134,532	512,661
Bequest Receivable and Other Assets	358,487	2,539,934
Taxes Refundable (Payable)	15,390	50,019
Bank Overdraft	-	(3,356)
Grants Payable	(3,206,950)	-
Unrelated Business Income Tax:		
Current	-	-
Deferred	(481,001)	(489,504)
Total	<u>\$ 14,928,032</u>	<u>\$ 16,985,046</u>

The Silkwood Foundation was established in 2001 as a non-profit charitable trust and Supporting Organization to the Fresno Regional Foundation. However, its donor has not yet funded this Supporting Organization.

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Note 14 – Fair Value Measurements

In accordance with generally accepted accounting principles, fair value is defined as the price that the Foundation would receive upon selling an asset or paid to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurement, including the Foundation's own assumptions in determining the fair value of assets or liabilities

The following is a summary of the inputs used as of December 31, 2009 in valuing the Foundation's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 749,105	\$ -	\$ -	\$ 749,105
Investment Securities:				
Equities	11,952,506	-	-	11,952,506
Fixed Income	8,126,661	-	-	8,126,661
Mutual Funds	459,356	-	-	459,356
Contributions Receivable	-	3,197,194	-	3,197,194
Interest in Net Assets of Supporting Organization	1,880,947	-	13,047,085	14,928,032
Land Held for Investment	-	1,756,816	-	1,756,816
Assets Measured at Fair Value	<u>\$ 23,168,575</u>	<u>\$ 4,954,010</u>	<u>\$ 13,047,085</u>	<u>\$ 41,169,670</u>

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Note 14 – Fair Value Measurements (Continued)

The following is a summary of the inputs used as of December 31, 2009 in valuing the Foundation’s liabilities carried at fair value:

<u>Liability Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Agency and Trust Funds	\$ 2,174,917	\$ -	\$ -	\$ 2,174,917
Pledges Payable, Net	-	5,412,313	-	5,412,313
Liabilities Measured at Fair Value	<u>\$ 2,174,917</u>	<u>\$ 5,412,313</u>	<u>\$ -</u>	<u>\$ 7,587,230</u>

Changes in Level 3 assets measured at fair value for the year ended December 31, 2009:

	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>
	<u>Interest in Net Assets of Supporting Organization</u>
Beginning Balance	\$ 16,832,554
Total unrealized losses	(401,537)
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	<u>(3,383,932)</u>
Ending Balance	<u>\$ 13,047,085</u>
Change in unrealized losses relating to assets still held at reporting date	<u>\$ (401,537)</u>

The following methods and assumptions were used by the Foundation in estimating the fair value of other financial instruments:

Certificates of Deposit and Investment Securities – All of the Foundation’s Certificates of Deposit and Investment Securities are available for sale, and are stated at their fair value based on quoted closing prices.

Contributions Receivable – The fair value of Contributions Receivable approximates its carrying value.

Interest in Net Assets of Supporting Organization – The fair value of the Foundation’s Interest in Net Assets of Supporting Organization is estimated using independent valuation reports and broker statements prepared specifically for the Supporting Organization and also includes earnings reports for various other entities in which the Supporting Organization has a financial interest. The fair value of the Foundation’s Interest in Net Assets of Supporting Organization was determined utilizing these inputs.

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Note 14 – Fair Value Measurements (Continued)

Land Held for Investment – The fair value of land is generally determined by independent real estate appraisals.

Agency and Trust Funds – The fair value of Agency and Trust Fund Liabilities is dependent upon their investment in cash and cash equivalents, investment securities, and others. The allocation of earnings such as interest and dividends, including realized and unrealized gains or losses are subject to the Foundation’s estimates depending on individual fund balances.

Pledges Payable – The Foundation utilized a present value factor to determine the fair value of Pledges Payable (see Note 10).

Note 15 – Restricted Net Assets

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the Foundation to classify as Permanently Restricted Net Assets, the fair value of the original gift as of the gift date, the original value of subsequent gifts, including any accumulations to the donor-restricted endowments made in accordance with the direction of the applicable gift instruments. The remaining portion of the donor-restricted endowment fund that is not classified as Permanently Restricted Net Assets is classified as Temporarily Restricted Net Assets until those amounts are appropriated for expenditure by the Foundation, or classified as Unrestricted Net Asset if the fund balance declines below the original gift value.

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are available for the following activities at December 31:

<u>Programs</u>	<u>2009</u>	<u>2008</u>
Arts and Culture	\$ 627,235	\$ 657,622
Community Development	175,003	342,058
Educational	1,151,955	610,047
Environmental Services	287,246	176,384
Health and Human Services	2,747,755	3,178,472
Interest in Supporting Organization	14,928,032	16,985,046
Philanthropy	456,574	607,118
Youth Development	82,281	56,359
Total Temporarily Restricted Net Assets	<u>\$ 20,456,081</u>	<u>\$ 22,613,106</u>

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Note 15 – Restricted Net Assets (Continued)

Permanently Restricted Net Assets

Permanently Restricted Net Assets are dedicated to the following activities at December 31:

<u>Programs</u>	<u>2009</u>	<u>2008</u>
Arts and Culture	\$ 12,446	\$ 12,446
Educational	1,414,681	1,446,206
Environmental Services	50,000	-
Health and Human Services	28,578	28,578
Parks and Musical Organizations	1,942,686	1,941,936
Philanthropy	2,794,831	511,819
Youth Development	<u>4,106,169</u>	<u>1,933,612</u>
Total Permanently Restricted Net Assets	<u>\$ 10,349,391</u>	<u>\$ 5,874,597</u>

During the year ended December 31, 2009, one of the Foundation's Permanently Restricted endowment funds that had been established in a prior year significantly declined in value from the original amount contributed by the donor. At the time the endowment was established, the donor contributed 25,000 shares of investment securities valued at \$1,155,750 on the date of the donation, and advised the Foundation to hold the securities in perpetuity, unless the Foundation determined it necessary to sell the securities to fund the endowment programs. It was the Foundation's interpretation that since the donor requested the Foundation to maintain the securities in perpetuity, the Foundation held the securities for long-term investment.

At December 31, 2009 and 2008, the value of this endowment fund, including the subject securities, was \$95,472 and \$25,064, respectively. The Foundation recognized an unrealized gain of \$70,408 and unrealized loss of \$1,130,686 during the years ended December 31, 2009 and 2008, respectively. The change in values were charged to the Permanently Restricted Fund rather than Unrestricted Net Assets based upon the requirement to hold the donated securities in perpetuity.

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Note 15 – Restricted Net Assets (Continued)

Permanently Restricted Net Assets (Continued)

Changes in Permanently Restricted Funds and the related Unrestricted and Temporarily Restricted Funds, arising from such Permanently Restricted Funds consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, December 31, 2007	\$ (931,455)	\$ 167,818	\$ 6,111,412	\$ 5,347,775
Investment Return:				
Investment Income	211,123	4,024	-	215,147
Net Depreciation (realized and unrealized)	<u>(726,665)</u>	<u>(26,655)</u>	<u>(1,130,686)</u>	<u>(1,884,006)</u>
Total Investment Return	(515,542)	(22,631)	(1,130,686)	(1,668,859)
Contributions and Others	-	-	954,978	954,978
Appropriation of Endowment Assets For Expenditure	(166,371)	(1,916)	-	(168,287)
Other Changes and Reclassifications	<u>(10,959)</u>	<u>53,694</u>	<u>(61,107)</u>	<u>(18,372)</u>
Endowment Net Assets, December 31, 2008	(1,624,327)	196,965	5,874,597	4,447,235
Investment Return:				
Investment Income	88,433	111,043	-	199,476
Net Depreciation (realized and unrealized)	<u>541,561</u>	<u>599,583</u>	<u>70,408</u>	<u>1,211,552</u>
Total Investment Return	629,994	710,626	70,408	1,411,028
Contributions and Others	-	-	4,447,488	4,447,488
Appropriation of Endowment Assets For Expenditure	(63,012)	(89,721)	-	(152,733)
Other Changes and Reclassifications	<u>29,031</u>	<u>14,071</u>	<u>(43,102)</u>	<u>-</u>
Endowment Net Assets, December 31, 2009	<u><u>\$ (1,028,314)</u></u>	<u><u>\$ 831,941</u></u>	<u><u>\$ 10,349,391</u></u>	<u><u>\$ 10,153,018</u></u>

At any time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original level the donor required to be held in perpetuity. This deficit results from unfavorable market fluctuations that occur after the original contribution. Deficits of this nature are reported as Unrestricted Net Assets. At December 31, 2009 and 2008, the Foundation had approximately \$376,000 and \$1,624,000, respectively, of Permanently Restricted Funds in which the value at year-end was below the original level required by the donor.

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Note 15 – Restricted Net Assets (Continued)

Permanently Restricted Net Assets (Continued)

A description of the amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets at December 31 is as follows:

	2009	2008
Permanently Restricted Net Assets:		
Portion of Permanently Restricted Funds that are required to be retained permanently either by explicit donor stipulation or by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA")	\$ 10,349,391	\$ 5,874,597
Temporarily Restricted Net Assets:		
Portion of Temporarily Restricted Funds, arising from Permanently Restricted Funds, subject to a purpose restriction under UPMIFA	\$ 831,941	\$ 196,965
Temporarily Net Assets With Time Restriction:		
Contributions Receivable	3,170,200	1,221,850
Interest in Net Assets of Supporting Organization	14,928,032	16,985,046
Temporarily Net Assets With Purpose Restriction:		
Other Programs and Activities	1,525,908	4,209,245
Total Temporarily Restricted Net Assets	\$ 20,456,081	\$ 22,613,106

Note 16 – Subsequent Events

Loan Receivable

In connection with a \$2,294,500 bequest from an estate to the Foundation during the year ended December 31, 2009, certain estate assets were sold to another beneficiary of the estate. The Foundation sold two agricultural real estate properties including its one-half interest in a limited liability company for a total of \$1,737,000. Terms of the sale required a down payment of 10% of the purchase price and the remaining balance financed by the Foundation over 10 years at a 5.5% interest rate.

Other

Management has evaluated and concluded that there are no other subsequent events that have occurred from December 31, 2009 through the date the financial statements were available to be issued at September 15, 2010 that would require additional disclosure or adjustment.

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