



**(A CALIFORNIA NON-PROFIT CORPORATION)**

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2010 and 2009



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

Years Ended December 31, 2010 and 2009

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## INDEPENDENT AUDITOR'S REPORT

A Professional Corporation

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, 2010 and 2009, 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, 2010 and 2009, 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.

September 19, 2011

**FRESNO REGIONAL FOUNDATION**  
**(A CALIFORNIA NON-PROFIT CORPORATION)**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2010 and 2009**

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 2,313,761	\$ 2,973,995
Certificates of Deposit	-	749,105
Investment Securities	20,123,588	20,538,523
Assessment Fees and Other Receivables	2,531	42,443
Bridge-Loan Receivable	210,000	-
Program Related Investment, Net	450,000	-
Contributions Receivable	3,308,473	3,197,194
Bequest Receivable	2,330,326	2,294,500
Prepaid Expenses and Other Assets	36,279	23,370
Property and Equipment, Net	21,551	28,969
Interest in Net Assets of Supporting Organizations	18,951,547	14,928,032
Land Held for Investment	1,756,816	1,756,816
Total Assets	<u>\$ 49,504,872</u>	<u>\$ 46,532,947</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 8,730	\$ 34,107
Accrued Expenses	13,926	14,528
Grants Payable	261,813	144,100
Agency and Trust Funds	2,236,861	2,174,917
Note Payable, Program Related Investment	500,000	-
Pledges Payable, Net	3,872,396	5,412,313
Total Liabilities	6,893,726	7,779,965

Commitments and Contingencies

Net Assets:

Unrestricted	7,142,570	7,947,510
Temporarily Restricted	24,867,558	20,456,081
Permanently Restricted	10,601,018	10,349,391
Total Net Assets	<u>42,611,146</u>	<u>38,752,982</u>
Total Liabilities and Net Assets	<u>\$ 49,504,872</u>	<u>\$ 46,532,947</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, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>				
Gifts and Contributions	\$ 1,009,299	\$ 4,696,543	\$ 355,676	\$ 6,061,518
Administrative Assessments	642,212	-	-	642,212
Investment Income, Net	729,553	1,487,441	28,880	2,245,874
Grant Income	315,108	1,628,187	-	1,943,295
Other Income	5,233	-	-	5,233
Total Revenues and Support before Net Assets Released from Restrictions	2,701,405	7,812,171	384,556	10,898,132
Net Assets Released from Restrictions	<u>3,400,694</u>	<u>(3,400,694)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support after Net Assets Released from Restrictions	6,102,099	4,411,477	384,556	10,898,132
<b>Costs and Expenses:</b>				
Program Services	6,193,539	-	-	6,193,539
Management and General	397,924	-	-	397,924
Fund Raising	315,576	-	-	315,576
Total Costs and Expenses	<u>6,907,039</u>	<u>-</u>	<u>-</u>	<u>6,907,039</u>
Change in Net Assets	(804,940)	4,411,477	384,556	3,991,093
<b>Other Changes in Net Assets:</b>				
Principal Transfers In	-	-	121,046	121,046
Principal Transfers Out	-	-	(253,975)	(253,975)
Total Transfers of Endowed Assets, Net	-	-	<u>(132,929)</u>	<u>(132,929)</u>
Net Assets, Beginning of Year	<u>7,947,510</u>	<u>20,456,081</u>	<u>10,349,391</u>	<u>38,752,982</u>
Net Assets, End of Year	<u>\$ 7,142,570</u>	<u>\$24,867,558</u>	<u>\$10,601,018</u>	<u>\$42,611,146</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, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>				
Gifts and Contributions	\$ 152,538	\$ 1,825,144	\$ 4,447,488	\$ 6,425,170
Administrative Assessments	444,160	-	-	444,160
Investment Income (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 Restrictions	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 Restrictions	8,722,001	(2,157,025)	4,474,794	11,039,770
<b>Costs and Expenses:</b>				
Program Services	7,322,535	-	-	7,322,535
Management and General	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 FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2010**

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund Raising	
Salaries	\$ 168,555	\$ 180,947	\$ 144,532	\$ 494,034
Payroll Taxes and Benefits	34,761	37,317	29,807	101,885
Workman's Compensation	2,095	2,249	1,796	6,140
Total Personnel Costs	<u>205,411</u>	<u>220,513</u>	<u>176,135</u>	<u>602,059</u>
Accounting and Audit	8,666	9,303	7,431	25,400
Administrative Assessments	347,956	-	-	347,956
Bad Debt Reserve	25,000	-	-	25,000
Board Receptions	-	2,752	-	2,752
Capacity Building	59,571	63,950	51,081	174,602
Education and Training	5,369	5,765	4,605	15,739
Fees and Memberships	3,929	4,218	3,369	11,516
Gifts, Grants and Program Events	5,326,033	-	-	5,326,033
Insurance	3,552	3,813	3,046	10,411
Interest	3,083	-	-	3,083
Investment Management Services	88,962	-	-	88,962
Legal Fees	24,519	-	-	24,519
Marketing and Advertising	14,701	15,782	12,606	43,089
Meetings, Luncheons, Dinners	698	749	598	2,045
Office Supplies	15,878	17,045	13,615	46,538
Other	4,185	4,554	3,569	12,308
Printing	4,439	4,765	3,806	13,010
Project Consultants	6,775	7,274	5,810	19,859
Rent and Related	17,756	19,062	15,226	52,044
Taxes and Licenses	7,669	8,234	6,577	22,480
Telephone and Internet	3,484	3,740	2,987	10,211
Travel and Auto	1,776	1,906	1,522	5,204
Workshops	9,936	-	-	9,936
Sub-Total	<u>5,983,937</u>	<u>172,912</u>	<u>135,848</u>	<u>6,292,697</u>
Total Expenses Before Depreciation	6,189,348	393,425	311,983	6,894,756
Depreciation	4,191	4,499	3,593	12,283
Total Costs and Expenses	<u>\$ 6,193,539</u>	<u>\$ 397,924</u>	<u>\$ 315,576</u>	<u>\$ 6,907,039</u>

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

**FRESNO REGIONAL FOUNDATION**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2009**

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund Raising	
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	-	-	301,994
Board Receptions	-	10,714	-	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	69,970	-	-	69,970
Legal Fees	5,486	-	-	5,486
Loss on Sale of Assets	633	667	516	1,816
Marketing and Advertising	6,440	6,811	5,263	18,514
Meetings, 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 and 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**  
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**STATEMENT OF CASH FLOWS**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 3,858,164	\$ 2,920,373
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	12,283	12,917
Allowance for Doubtful Accounts	25,000	
Loss on Disposition of Property and Equipment	-	3,116
Investment (Income) / Losses, Net	(2,249,060)	130,875
Donated Securities	(85,388)	(376,180)
Contributions from Supporting Organizations	(4,023,515)	-
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(111,279)	(1,941,664)
Bequest Receivable	(35,826)	(2,294,500)
Program Related Investments, Net	(475,000)	-
Bridge-Loan Receivable	(210,000)	-
Assessment Fees and Other Receivables	39,912	(40,954)
Prepaid Expenses and Other Assets	(12,909)	4,801
Accounts and Grants Payable	92,336	40,299
Note Payable, Program Related Investment	500,000	-
Pledges Payable, Net	(1,539,917)	797,099
Accrued Expenses	(602)	(4,103)
Agency and Trust Funds	61,944	680,558
Net Cash Used In Operating Activities	(4,153,857)	(67,363)
Cash Flows Provided By (Used In) Investing Activities:		
Agency and Trust Funds	(61,944)	(680,558)
Purchase of Property and Equipment	(4,865)	(13,558)
Purchase of Investment Securities	(1,821,721)	(7,291,919)
Proceeds From Sales of Investment Securities	5,382,153	6,321,328
Net Cash Provided By (Used In) Investing Activities	3,493,623	(1,664,707)
Decrease in Cash and Cash Equivalents	(660,234)	(1,732,070)
Cash and Cash Equivalents, Beginning of Year	2,973,995	4,706,065
Cash and Cash Equivalents, End of Year	\$ 2,313,761	\$ 2,973,995
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest Paid	\$ 3,083	\$ -

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, 2010 and 2009**

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 170 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.

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**FRESNO REGIONAL FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

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 endowments while seeking to maintain the purchasing power of the endowments’ 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, 2010, 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.

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**FRESNO REGIONAL FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

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 maintained 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 its fair value 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 investment 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 did not receive any donated gifts or services during the year ended December 31, 2010 and received in-kind gifts during the year ended December 31, 2009 valued at \$7,500.

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**FRESNO REGIONAL FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

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, 2010 and 2009 were \$43,089 and \$18,514, 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 will differ from those estimates.

Allowance for Doubtful Accounts

The Foundation provides an allowance for doubtful accounts based on its review of the outstanding receivables and Program Related Investments. In considering the allowance account reserve, the Foundation evaluates certain factors including the organization and borrower's ability to pay, their financial condition, loan collateralized assets and others. Recoveries of accounts and programs previously written-off or changes in allowance estimates are recognized as income when received or recorded. During the year ended December 31, 2010, the Foundation's allowance for doubtful accounts totaled \$25,000. The Foundation did not have an allowance during the year ended December 31, 2009.

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 part of investment losses.

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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Property and Equipment, Net

Property and equipment consist of the following at December 31:

	2010	2009
Furniture, Fixtures and Office Equipment	\$ 109,274	\$ 113,396
Less Accumulated Depreciation	(87,723)	(84,427)
Total Property and Equipment, Net	\$ 21,551	\$ 28,969

Depreciation expense for the years ended December 31, 2010 and 2009 was \$12,283 and \$12,917, respectively.

Note 4 – Investment Securities

Investment securities consist of the following at December 31:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 12,799,889	\$ 12,542,616	\$ 13,848,935	\$ 11,952,506
Fixed Income	7,372,290	7,561,640	8,109,344	8,126,661
Mutual Funds	13,225	19,332	447,953	459,356
Total Investments	\$ 20,185,404	\$ 20,123,588	\$ 22,406,232	\$ 20,538,523

At December 31, 2010, approximately \$18,554,000 of the Foundation’s funds, including approximately \$145,000 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

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**FRESNO REGIONAL FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

Note 4 – Investment Securities (Continued)

December 31, 2010, approximately 45% of the Foundation’s total investment securities were invested in SEI Large and Small “Cap” Funds, and approximately 29% was invested in SEI Core Fixed Income Funds. 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) it’s 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, 2010, approximately \$1,898,000 of the Foundation’s funds, including approximately \$1,880,000 of cash and cash equivalents 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, 2010, approximately \$1,835,000 of the Foundation’s funds, including approximately \$138,000 of cash and cash equivalents were 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, 2010 and 2009, there were no amounts in excess of insurance provided by either the FDIC or SIPC.

The Foundation’s investment earnings from all of investment activities for 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Interest and Dividends	\$ 766,595	\$ 590,765
Unrealized Gains / (Losses)	1,308,384	(462,496)
Realized Gains / (Losses)	<u>170,895</u>	<u>(259,144)</u>
Total Investment Gains / (Losses), Net	<u>\$ 2,245,874</u>	<u>\$ (130,875)</u>

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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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:

	2010	2009
Hewlett Foundation	\$ 796,000	\$ 500,200
James Irvine Foundation	-	170,000
Westside Tule, USDA	12,473	26,994
Lyles Foundation, Supporting Organization	2,500,000	2,500,000
Total Contributions Receivable	\$ 3,308,473	\$ 3,197,194

Note 6 – Bequest Receivable

The Foundation was included as one of the beneficiaries of a decedents’ estate in a previous year. The fair value of the estate available to the Foundation was estimated to be approximately \$2,294,500 during the year ended December 31, 2009, when information regarding the estate was available. 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 recorded as a 2009 contribution.

During August 2010, the estate sold certain assets to be received by the Foundation to another beneficiary in exchange for a Promissory Note. The estate sold two agricultural real estate properties including its one-half interest in a limited liability company for a total sale price of \$1,737,000. Terms of the sale required a down payment of 10% of the sale price, and the remaining balance of \$1,563,000 to be financed by the estate over 10 years at a rate of 5.5% annually. The Promissory Note is collateralized by the properties. At December 31, 2010, the estate recorded accrued interest on the note of \$35,826 in accordance with the Promissory Note. The fair value of the bequest was \$2,330,326 and \$2,294,500 for the years ended December 31, 2010 and 2009, respectively. During May 2011, the Foundation was assigned the estate’s Promissory Note and deed of trust for the real estate properties sold.

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Note 7 – Program Related Investment and Note Payable

In 2010, the Foundation started a new program which provides financing to Valley Small Business Development Corporation (“VSBDC”) to makes micro loans to small businesses and farmers in the San Joaquin Valley community. In August 2010, the Foundation obtained financing from Wells Fargo Bank for an amount up to \$1,000,000, with interest only payments made on the outstanding balance at an annual interest rate of 2%. Interest only payments are due quarterly and the principal balance is payable on the maturity date in February 2021. The note due to Wells Fargo Bank is unsecured. At December 31, 2010, the balance outstanding on this note was \$500,000. Interest expense related to the loan for the year ended December 31, 2010 was \$3,083.

The funds received from the Wells Fargo Bank loan to the Foundation were re-loaned to VSBDC. Funds advanced to VSBDC bear interest at 3% annually. Funding of the loan by the Foundation to VSBDC was used to finance small businesses and farmers based on certain lending criteria that would not otherwise be available in traditional bank financing. Financing of the loans by the VSBDC to the borrower bears interest at various rates based on the borrower’s credit worthiness and other factors. At December 31, 2010, the amount due to the Foundation from VSBDC was \$475,000. The Foundation has recorded an allowance reserve of \$25,000 related to this Program Related Investment. The Foundation has security interests in the assets of the micro loan borrowers in an event of default as collateral. Interest income for the year ended December 31, 2010 was \$4,354.

Note 8 – Bridge-Loan Receivable

During December 2010, the Foundation advanced to another non-profit organization a bridge-loan in the amount of \$210,000 to assist with the funding of a grant project and its operations. Payment received from the grant project by the non-profit organization will be used to repay the bridge-loan to the Foundation. The Foundation collected a \$1,000 fee for the unsecured non-interest bearing loan. Terms of the loan requires equal principal payments to be made on a quarterly basis beginning on March 31, 2011 through the loan maturity date of September 30, 2011.

Note 9 – Land Held for Investment

The Foundation owns two commercial land parcels that were donated in the prior years. The fair value of the Foundation’s Land Held for Investment was \$1,756,816 at December 31, 2010 and 2009. The Foundation recorded an unrealized loss, related to the decline in fair value of one of the parcels, of \$1,633,500 during the year ended December 31, 2009. The Foundation believes there was no change in the value of its land during 2010. The unrealized loss recorded during the year ended December 31, 2009 was included in the 2009 Statement of Activities as Investment Losses in accordance with the Foundation’s policies.

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Note 10 – Agency and Trust Fund Liability

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

	2010	2009
Contributions	\$ 45,675	\$ 158,790
Grant Income	564,019	1,181,610
Investment Income (Expense):		
Interest and Dividends	81,021	53,074
Investment Gains, Net	164,286	323,580
Investment Management Fees	(8,627)	(6,284)
Administrative Assessments Paid to the Fresno Regional Foundation	(34,630)	(52,314)
Gifts and Grants Made	(749,800)	(977,898)
Total Agency and Trust Fund Activity	61,944	680,558
Agency and Trust Fund Balance, Beginning of Year	2,174,917	1,494,359
Agency and Trust Fund Balance, End of Year	\$ 2,236,861	\$ 2,174,917

Note 11 – Lease Commitments

The Foundation leases its administrative offices for a base monthly rent of \$2,925 until January 2012, and then monthly rent will increase to \$4,783 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 approximately \$4,300 including common area maintenance costs. The aggregate future commitment remaining on this lease through January 2012 is approximately as follows: \$35,100 for 2011 and \$2,925 for 2012. Rent and related expense for the years ended December 31, 2010 and 2009 was \$52,044 and \$47,737, respectively.

During the year ended December 31, 2010 the Foundation entered into a new copier lease agreement with base monthly lease payments of \$452, plus applicable taxes, through September 2015. The aggregate future commitment remaining on this lease per year through September 2015 is approximately as follows: \$5,424 for 2011 through 2014 and \$4,068 for 2015.

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Note 12 – Pledges Payable, Net

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

	2010	2009
Direct Pledges Payable	\$ 4,000,000	\$ 5,750,000
Less Present Value Factor	(218,712)	(411,452)
	3,781,288	5,338,548
Matching Pledges Payable	91,108	73,765
Total Pledges Payable, Net	\$ 3,872,396	\$ 5,412,313

College of the Sequoias Pledge

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

In connection with the pledge to COS, funds are to be payable to and ultimately managed by the College of Sequoias Foundation (the “COS Foundation”). In accordance with the pledge agreement, \$1,300,000 shall be allocated towards the direct benefit of the College of Sequoias, 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.

The net present value of this pledge was \$955,609 and \$1,417,384 at December 31, 2010 and 2009, respectively, utilizing a 3% 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 \$38,225 and \$1,917,384 for the year ended December 31, 2010 and 2009, respectively.

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 30<sup>th</sup> 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

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Note 12 – Pledges Payable, Net (Continued)

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 \$2,825,678 and \$3,671,164 at December 31, 2010 and 2009, respectively, utilizing a 3% interest rate factor that approximates the United States Treasury Bond rate for the discount period. For the years ended December 31, 2010 and 2009, the Recipient raised an additional \$239,541 and \$535,297, respectively, which was matched by the Foundation in accordance with the Agreement.

Note 13 – 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, 2010 and 2009 were \$19,470 and \$18,445, respectively.

Note 14 – 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.

Note 15 – 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 was funded during the year ended December 31, 2010. 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

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Note 15 – Interest in Net Assets of Supporting Organizations (Continued)

in 2010 and 2009, 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.

The Silkwood Family Foundation was established in 2001 as a non-profit charitable trust and Supporting Organization to the Fresno Regional Foundation for their various community services and programs. This supporting organization was funded during the year ended December 31, 2010. The Foundation has recorded the net assets of the Silkwood Family Foundation as a contribution in the current year.

At December 31, 2010, the net assets of the Supporting Organizations consisted of the following:

	<u>Silkwood</u>	<u>Lyles</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,145,796	\$ 453,651	\$ 1,599,447
Investment Securities	61,149	3,033,502	3,094,651
Lyles Diversified, Inc., Common Stock	-	10,851,361	10,851,361
Lyles United, LLC, Member Interest	-	6,903,638	6,903,638
Pelco Sales, Inc., Common Stock	-	-	-
Pelco Sales, Inc., Liquidating Trust	-	102,469	102,469
Bequest Receivable and Other Assets	-	-	-
Taxes Refundable	-	29,275	29,275
Grants Payable	-	(3,066,133)	(3,066,133)
Unrelated Business Income Tax:			
Current	-	-	-
Deferred	-	(563,161)	(563,161)
Total	<u>\$ 1,206,945</u>	<u>\$ 17,744,602</u>	<u>\$ 18,951,547</u>

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Note 15 – Interest in Net Assets of Supporting Organizations (Continued)

At December 31, 2009, the net assets of the Supporting Organizations consisted of the following:

	Silkwood	Lyles	Total
Cash and Cash Equivalents	\$ -	\$ 227,824	\$ 227,824
Investment Securities	-	1,653,123	1,653,123
Lyles Diversified, Inc., Common Stock	-	9,567,043	9,567,043
Lyles United, LLC, Member Interest	-	6,659,584	6,659,584
Pelco Sales, Inc., Common Stock	-	134,532	134,532
Pelco Sales, Inc., Liquidating Trust	-	-	-
Bequest Receivable and Other Assets	-	358,487	358,487
Taxes Refundable	-	15,390	15,390
Grants Payable	-	(3,206,950)	(3,206,950)
Unrelated Business Income Tax:			
Current	-	-	-
Deferred	-	(481,001)	(481,001)
<b>Total</b>	<b>\$ -</b>	<b>\$ 14,928,032</b>	<b>\$ 14,928,032</b>

Note 16 – 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 have 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.

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Note 16 – Fair Value Measurements (Continued)

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, 2010 in valuing the Foundation’s assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Investment Securities:				
Equities	\$ 12,542,616	\$ -	\$ -	\$ 12,542,616
Fixed Income	7,561,640	-	-	7,561,640
Mutual Funds	19,332	-	-	19,332
Program Related Investment, Net	-	450,000	-	450,000
Contributions Receivable	-	3,308,473	-	3,308,473
Bequest Receivable	-	2,330,326	-	2,330,326
Interest in Net Assets of Supporting Organizations	4,694,098	-	14,257,449	18,951,547
Land Held for Investment	-	1,756,816	-	1,756,816
Assets Measured at Fair Value	<u>\$ 24,817,686</u>	<u>\$ 7,845,615</u>	<u>\$ 14,257,449</u>	<u>\$ 46,920,750</u>

The following is a summary of the inputs used as of December 31, 2010 in valuing the Foundation’s liabilities carried at fair value:

Liability Description	Level 1	Level 2	Level 3	Total
Agency and Trust Funds	\$ 2,236,861	\$ -	\$ -	\$ 2,236,861
Note Payable, Program Related Investment	-	500,000	-	500,000
Pledges Payable, Net	-	3,872,396	-	3,872,396
Liabilities Measured at Fair Value	<u>\$ 2,236,861</u>	<u>\$ 4,372,396</u>	<u>\$ -</u>	<u>\$ 6,609,257</u>

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Note 16 – Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value for the year ended December 31, 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Interest in Net Assets of Supporting Organization
Beginning Balance	\$ 13,047,085
Total unrealized gains	305,086
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	905,278
Ending Balance	\$ 14,257,449
Change in unrealized gains relating to assets still held at reporting date	\$ 305,086

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	\$ 23,168,575	\$ 4,954,010	\$ 13,047,085	\$ 41,169,670

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

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

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Note 16 – 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:

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

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 Organizations – The fair value of the Foundation’s Interest in Net Assets of Supporting Organizations is estimated using independent valuation reports, governmental tax filings and broker statements prepared specifically for the Supporting Organizations and also includes earnings reports for various other entities in which the Supporting Organizations have a financial interest.

Land Held for Investment – The fair value of land is generally determined by independent real estate appraisals, as updated for changes in market conditions.

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 pro-rata 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 12).

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Note 17 – 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 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>2010</u>	<u>2009</u>
Arts and Culture	\$ 468,343	\$ 627,235
Community Development	48,505	175,003
Education	1,479,768	1,151,955
Environmental Services	211,788	287,246
Health and Human Services	2,675,082	2,747,755
Interest in Supporting Organizations	18,951,547	14,928,032
Parks and Musical Organizations	64,320	-
Youth Development	486,101	82,281
Other Philanthropy	482,104	456,574
Total Temporarily Restricted Net Assets	<u>\$ 24,867,558</u>	<u>\$ 20,456,081</u>

Permanently Restricted Net Assets

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

<u>Programs</u>	<u>2010</u>	<u>2009</u>
Arts and Culture	\$ 133,493	\$ 12,446
Education	1,429,681	1,414,681
Environmental Services	74,247	50,000
Health and Human Services	28,576	28,578
Parks and Musical Organizations	1,943,186	1,942,686
Youth Development	6,745,478	4,106,169
Other Philanthropy	246,357	2,794,831
Total Permanently Restricted Net Assets	<u>\$ 10,601,018</u>	<u>\$ 10,349,391</u>

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Note 17 – Restricted Net Assets

Permanently Restricted Net Assets

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 Appreciation (realized and unrealized)	541,561	599,583	70,408	1,211,552
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	29,031	14,071	(43,102)	-
Endowment Net Assets, December 31, 2009	\$ (1,028,314)	\$ 831,941	\$ 10,349,391	\$ 10,153,018
Investment Return:				
Investment Income	87,872	290,281	-	378,153
Net Appreciation (realized and unrealized)	186,011	512,480	28,880	727,371
Total Investment Return	273,882	802,761	28,880	1,105,524
Contributions and Others	-	-	355,676	355,676
Appropriation of Endowment Assets				
For Expenditure	(84,064)	(191,766)	-	(275,830)
Principal Transfers, Net	3,186	-	(132,929)	(129,743)
Endowment Net Assets, December 31, 2010	<u>\$ (835,309)</u>	<u>\$ 1,442,936</u>	<u>\$ 10,601,018</u>	<u>\$ 11,208,645</u>

During the years ended December 31, 2010 and 2009, one of the Foundation's Permanently Restricted funds had a value that was significantly lower than 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. Since the donor requested the Foundation to maintain the securities in perpetuity, the Foundation held the securities for long-term investment.

At December 31, 2010 and 2009, the value of this endowment fund, including the subject securities, was \$124,352 and \$95,472, respectively. The Foundation recognized an unrealized gain of \$28,880 and \$70,408 during the years ended December 31, 2010 and 2009, respectively. The changes in value 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 17 – Restricted Net Assets (Continued)

Permanently Restricted Net Assets (Continued)

At any time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original level of the donor's original contributions. This deficit is usually the result of unfavorable market fluctuations that occur after the original contribution. Such deficits are reported as Unrestricted Net Assets. At December 31, 2010 and 2009, the Foundation had approximately \$120,000 and \$376,000, respectively, of Permanently Restricted Funds in which the value at year-end was below the original level required by the donor.

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

	2010	2009
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")	<u>\$ 10,601,018</u>	<u>\$ 10,349,391</u>
Temporarily Restricted Net Assets:		
Portion of Temporarily Restricted Funds, arising from Permanently Restricted Funds, subject to a purpose restriction under UPMIFA	\$ 1,442,936	\$ 831,941
Temporary Net Assets With Time Restriction:		
Contributions Receivable	3,296,000	3,170,200
Interest in Net Assets of Supporting Organization	18,951,547	14,928,032
Temporary Net Assets With Purpose Restriction:		
Other Programs and Activities	1,177,075	1,525,908
Total Temporarily Restricted Net Assets	<u>\$ 24,867,558</u>	<u>\$ 20,456,081</u>

See Independent Auditor's Report.

**FRESNO REGIONAL FOUNDATION**  
**(A CALIFORNIA NON-PROFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2010 and 2009**

Note 17 – Restricted Net Assets (Continued)

Endowment Transfers

During the year ended December 31, 2010, the Foundation received two permanently restricted funds, or endowments, from another non-profit organization that originally administered those funds. The endowments were transferred to the Foundation to enhance the fund's investment earnings and to utilize the Foundation's administrative capabilities. The endowments received by the Foundation had a value less than the original permanently restricted principal amounts and are considered to be underwater funds. The principal amount of the endowments received by the Foundation was \$121,046 during the year ended December 31, 2010. The actual amount of the endowments received by the Foundation was \$117,929, and the Foundation recorded an unrealized loss of \$3,117 as a result of receiving these underwater funds.

The Foundation also transferred one of its endowments to another agency to administer during the year ended December 31, 2010. The endowment's principal balance was \$253,975, although had an underwater amount of \$6,304. The Foundation transferred the net balance of \$247,671 to the other agency and recorded a gain of \$6,304 subsequent to the transfer.

Note 18 – Subsequent Events

Management has evaluated and concluded that there are no other subsequent events that have occurred from December 31, 2010 through the date the financial statements were available to be issued at September 19, 2011 that would require additional disclosure or adjustment.

See Independent Auditor's Report.