

COMMUNITY FOUNDATION OF THE
CENTRAL BLUE RIDGE

FINANCIAL STATEMENTS

December 31, 2010

COMMUNITY FOUNDATION
OF THE CENTRAL BLUE RIDGE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of the
Central Blue Ridge
Staunton, Virginia

We have audited the accompanying statement of financial position of Community Foundation of the Central Blue Ridge (a nonprofit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Community Foundation of the Central Blue Ridge's 2009 financial statements and, in our report dated June 9, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Community Foundation of the Central Blue Ridge as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ELMORE, HUPP & COMPANY, P.L.C.

Staunton, Virginia

May 23, 2011

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
STATEMENT OF FINANCIAL POSITION
December 31, 2010
(Summarized Totals for 2009)

ASSETS

	2010	2009
Cash and cash equivalents	\$ 617,380	\$ 627,677
Marketable securities	9,300,134	7,766,018
Interest receivable	18,582	16,562
Land - held for sale	331,270	331,270
Interest in limited liability company	298,387	380,636
Prepaid expenses	676	1,840
Security deposit	600	600
Pledges receivable	-	9,426
Property and equipment, net	4,881	7,551
Bequests receivable	659,123	981,520
	\$ 11,231,033	\$ 10,123,100

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,842	\$ 14,407
Deferred income	44,463	40,317
Payable to beneficiary	331,270	331,270
Agency funds	399,544	500,474
	777,119	886,468

NET ASSETS

Unrestricted	1,077,417	937,531
Temporarily restricted	6,519,475	5,433,763
Permanently restricted	2,857,022	2,865,338
	10,453,914	9,236,632
TOTAL NET ASSETS	\$ 11,231,033	\$ 10,123,100

See notes to financial statements.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Summarized Totals for 2009)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2010 TOTALS</u>	<u>2009 TOTALS</u>
PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS					
Contributions	\$ 160,935	\$ 694,985	\$ 1,349	\$ 857,269	\$ 1,413,279
Forfeiture of grants	-	-	-	-	1,222
Interest and dividends	24,160	183,983	-	208,143	210,630
Management fees	90,815	(84,640)	-	6,175	4,741
Services and equipment	25,028	-	-	25,028	18,989
Gain (loss) from pass-through entity	-	(21,433)	-	(21,433)	94,886
Change in measurement value of gift annuities	-	-	-	-	37,602
Net realized and unrealized gain on marketable securities	113,460	885,795	-	999,255	1,330,708
Net assets released from restrictions: Satisfaction of program restrictions	<u>582,643</u>	<u>(572,978)</u>	<u>(9,665)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES, AND RECLASSIFICATIONS	<u>997,041</u>	<u>1,085,712</u>	<u>(8,316)</u>	<u>2,074,437</u>	<u>3,112,057</u>
EXPENSES					
Program expenses:					
Grants and donor directive funds	552,583	-	-	552,583	331,784
Workshops and events	<u>14,444</u>	<u>-</u>	<u>-</u>	<u>14,444</u>	<u>32,835</u>
	567,027	-	-	567,027	364,619
Administrative and development:					
Compensation and benefits	121,906	-	-	121,906	113,366
Printing and reproduction	10,231	-	-	10,231	6,892
Investment manager fees	45,202	-	-	45,202	22,752
Professional services	31,041	-	-	31,041	18,489
Fundraising	31,895	-	-	31,895	27,237
Bad debt on pledges	-	-	-	-	19,135
Office supplies and equipment	15,317	-	-	15,317	10,399
Postage	1,644	-	-	1,644	1,108
Utilities	604	-	-	604	1,166
Rent	8,798	-	-	8,798	8,100
Insurance	3,263	-	-	3,263	2,674
Development	5,808	-	-	5,808	532
Travel and training	5,485	-	-	5,485	1,555
Miscellaneous	6,265	-	-	6,265	4,244
Depreciation	<u>2,669</u>	<u>-</u>	<u>-</u>	<u>2,669</u>	<u>3,102</u>
TOTAL ADMINISTRATIVE AND DEVELOPMENT	<u>290,128</u>	<u>-</u>	<u>-</u>	<u>290,128</u>	<u>240,751</u>
TOTAL EXPENSES	<u>857,155</u>	<u>-</u>	<u>-</u>	<u>857,155</u>	<u>605,370</u>
CHANGES IN NET ASSETS	<u>139,886</u>	<u>1,085,712</u>	<u>(8,316)</u>	<u>1,217,282</u>	<u>2,506,687</u>
NET ASSETS AT BEGINNING OF YEAR	<u>937,531</u>	<u>5,433,763</u>	<u>2,865,338</u>	<u>9,236,632</u>	<u>6,729,945</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,077,417</u>	<u>\$ 6,519,475</u>	<u>\$ 2,857,022</u>	<u>\$ 10,453,914</u>	<u>\$ 9,236,632</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2010
(Summarized Totals for 2009)

	2010	2009		2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 1,217,282	\$ 2,506,687			
Adjustments to reconcile change in net assets to net cash used in operating activities:					
Non-cash contributions	(149,932)	(16,398)			
Loss (gain) from pass-through entity	21,433	(94,886)			
Dividends reinvested	(204,800)	(94,148)			
Gain on marketable securities	(999,255)	(1,330,708)			
Change in measurement value of gift annuities	-	(37,602)			
Depreciation	2,669	3,102			
Contributions restricted for endowment	(1,349)	(731,520)			
Decrease (increase) in prepaid expenses	1,164	(695)			
Increase in interest receivable	(2,020)	(12,332)			
Decrease in pledges receivable	9,426	33,556			
Increase in bequests receivable	(360,472)	(731,520)			
Increase in security deposit	-	(600)			
Increase (decrease) in agency funds, net of marketable securities gains and losses	(131,745)	9,126			
Decrease in annuities payable	-	(5,700)			
Increase (decrease) in accounts payable and accrued expenses	(12,565)	9,338			
Increase (decrease) in deferred income, net of marketable securities gains and losses	4,146	(708)			
NET CASH USED IN OPERATING ACTIVITIES	(606,018)	(495,008)			
CASH FLOWS FROM INVESTING ACTIVITIES					
Distributions from investment in limited liability company	60,816	9,000			
Purchase of property and equipment	-	(1,540)			
Purchase of marketable securities	(1,177,541)	(7,011,901)			
Proceeds from sale of marketable securities	1,711,097	6,801,952			
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	594,372	(202,489)			
CASH FLOWS FROM FINANCING ACTIVITIES					
Contributions restricted for endowment	\$ 1,349	\$ 731,520			
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,349	731,520			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,297)	34,023			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	627,677	593,654			
END OF YEAR	\$ 617,380	\$ 627,677			
SUPPLEMENTAL INFORMATION					
Stock received from bequest receivable	\$ 682,869	\$ -			

See notes to financial statements.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Community Foundation of the Central Blue Ridge, located in Staunton, Virginia, is organized under the laws of the Commonwealth of Virginia for the purpose of developing a permanent endowment to provide for the enrichment of the quality of life in the communities of Staunton and Waynesboro and the counties of Augusta, Nelson and Highland through assessing and responding to the changing community needs and to serve as a mechanism for donors at all levels of charitable giving to aid in supporting the community.

Public Support and Revenue

Contributions not subject to donor restrictions are available for unrestricted purposes.

If the Foundation receives contributions with donor stipulations that limit the use of the donated asset over a period of time, the contribution is reported as temporarily restricted support. When a donor restriction expires, that is when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions consist of gifts which are permanently restricted by the donor. Income and investment earnings generated from these funds are designated as temporarily restricted until the donor restriction is accomplished.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Unrealized gains and losses are included in the change in net assets.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives.

Bequests Receivable

Bequests receivable are from two individuals' estates.

Deferred Income

Deferred income consists principally of funds received from the termination of a trust during 2007. However, court approval is still pending. Therefore, the Foundation will not recognize income until such time of court approval.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Reclassification

The classification of certain amounts within the financial statements for the year ended December 31, 2009 have been changed to be consistent with the classification adopted by the Foundation in 2010.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

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

The most significant estimate is bequests receivable. The amounts shown in the statement of financial position are estimates of the future amounts receivable by the Foundation, based on available information. It is reasonably possible that the estimated amount of the receivable will differ from the amount ultimately received.

Summarized Prior Year Information

The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009, from which the comparative information was extracted.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Interest in Limited Liability Company

This investment consists of ownership interest in a limited liability company. Under the equity method, the Foundation's share in earnings or losses of this company is reflected in results of operations.

Agency Funds

The Foundation has accepted funds, which have been invested in its investment pool, from charitable organizations. These funds, including allocable investment income and gains and losses, realized and unrealized, are reflected as liabilities in the statement of financial position.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK AND FINANCIAL INSTRUMENTS

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and bequests receivable.

The Foundation places its temporary cash investments with high-credit-quality financial institutions. At times, such investments may be in excess of FDIC insurance limits. The Foundation has not experienced any losses in such accounts.

Bequests receivable are from two individuals' estates. The Foundation does not expect any difficulty in realizing the bequests.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2010:

A. Gordon Houff Memorial Scholarship	\$ 23,031
A. P. Boxley, Jr. and Rachel Barksdale Boxley Memorial Endowment	46,583
Caroline E. Roberts Memorial Flower	18,942
Christopher DeWitt "Chris" Rockwell Scholarship	6,968
Community Scholarship for Excellence	11,283
Coyner Endowment for the Elderly	116,277
Croushorn Endowment Fund	17,617
Ethel Driver Memorial Scholarship	94,367
Friends of the Sears Hill Bridge	23,463
Fritz Stout Memorial Scholarship	11,003
Ganelle Hargrove Cook Scholarship Fund	59,606
H. Dunlop Dawbarn Award Fund II	898,419
H. Dunlop "Buz" Dawbarn Award	218,392
High Country Associates	298,387
INVISTA - Waynesboro Scholarship Fund	12,059
J. B. "Gus" Stombock Memorial	89,430
J. B. "Gus" Stombock Family	1,792,711
Jack McKee Personal Charitable Contribution Fund	44,100
Jamin Award Fund	701
John Moore Memorial Fund	51,642
John W. Green Memorial Scholarship	28,919
Kelling Unrestricted Endowment Fund	76,652
Kenneth L. Jones Memorial Scholarship Fund	14,659
L. Dal and Jane Simmons Unrestricted	640,111
Leo A. Thralls Endowment Fund	34,838
Linda Ebert Thompson Memorial Fund	409,416
Lindsey Ree Hyson Memorial Scholarship	80,417
Loesch-Augusta Regional Free Clinic Endowment	28,441
Louis & Emily M. Spilman Scholarship Fund	11,523
Lucy Coyner Endowment	230,055
Martin Lightsey Scholarship for Technical Education	98,273
McSwain Scholarship	10,664
Meadows Fund for the Intellectually Disabled	46,189
Montebello Scholarship	59,142
Morgan R. Funk Memorial Scholarship	7,161
Nelson County Current Fund	490
Paul Flanagan Scholarship Fund	28,134
Penland Endowment Fund	105,060
Peter Veglahn Memorial Scholarship Fund	21,854
R. S. Yeago, Jr. Scholarship Fund	14,638
Roy B. Martin Memorial Endowment	293,026
Smyth Educational Award	179,528
Stuarts Draft High School Parent Advisory Council Fund	9,911
Swett's "Welcome to Stuarts Draft" Sign	58,363
Tyler James Grimm Memorial Scholarship	7,298
V. Francis & Susan S. Reynolds Scholarship	2,928
Valley Program for Aging Services	109,479
Warren & Jean Mundy Unrestricted Fund	68,662
Waynesboro High School Alumni Endowment	8,663
	\$ 6,519,475

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTRICTIONS ON NET ASSETS (continued)

Endowment Fund

The Foundation's Board of Directors has interpreted Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation's Board of Directors classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation's Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the investment policies.

The primary investment objective of the Endowment Fund is to provide returns that cover the Foundation's defined spending rate, which includes the annual administrative fee, and exceed inflation (provide real growth in spending). There will be some inevitable volatility in principal value that will be experienced from pursuing this objective that will affect the stability of the payout.

To assist the Foundation in gauging the success of the return on investments, the Foundation shall employ as its investment return goal the following formula:

5yr Annualized CPI + Spending Rate (4%) + Average Administrative Fee (1%)

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTRICTIONS ON NET ASSETS (continued)

The target return is based on a trailing five-year calculation. This is the time period used to judge whether or not the portfolio is meeting its objective. Each individual year may be more or less than the target.

Permanently restricted net assets are available for the following purposes as of December 31, 2010:

Christopher DeWitt "Chris" Rockwell Scholarship	\$ 12,345
Community Foundation Administrative Endowment	600,192
Community Scholarship for Excellence Fund	10,426
Croushorn Endowment Fund	120,680
H. Dunlop Dawbarn Fund II - Estate	700,000
H. Dunlop "Buz" Dawbarn Award Fund	390,528
J. B. "Gus" Stombock Memorial Unrestricted Fund	10,092
J. B. "Gus" Stombock Memorial Little League Fund	10,948
Jean Y. & John M. Moore Unrestricted Fund	10,000
L. Dal and Jane F. Simmons Unrestricted Fund	10,416
Lewis M. Coiner Unrestricted Endowment Fund	10,556
Loesch - Augusta Regional Free Clinic Fund	10
Louis & Emily M. Spilman Scholarship Fund	50,000
N. Carroll and Grace Guynn Scholarship Fund	74,803
Paul Flanagan Scholarship Fund	6,444
Penland Endowed Fund	732,869
R. S. Yeago, Jr. Scholarship Fund	25,000
ShenanArts Endowment Fund	10,863
V. Francis & Susan S. Reynolds Scholarship Fund	50,000
Waynesboro High School Alumni Endowment Fund	20,850
	<u>\$ 2,857,022</u>

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - MARKETABLE SECURITIES

Investments as of December 31, 2010, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Available-for-sale:			
Equity securities	\$ 8,341,358	\$ 9,300,134	\$ 958,776

The following schedule summarizes the investment return for marketable securities and its classification in the statement of activities for the year ended December 31, 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 24,160	\$ 183,983	\$ -	\$ 208,143
Realized and unrealized gains, net	<u>113,460</u>	<u>885,795</u>	<u>-</u>	<u>999,255</u>
Total investment return	<u>\$ 137,620</u>	<u>\$ 1,069,778</u>	<u>\$ -</u>	<u>\$ 1,207,398</u>

NOTE 5 - LAND - HELD FOR SALE

The Foundation received an undivided interest in real property, which is currently held as available for sale. Proceeds received from the sale are to be distributed to a local high school for enhancement of their athletic program.

NOTE 6 - INTEREST IN LIMITED LIABILITY COMPANY

The Foundation has a 20% non-voting interest in High Country Associates, LLC. This investment is accounted for by the equity method. The limited liability company is a pass-through entity for items of income and expense. The Foundation believes that the equity method is a better representation of the Foundation's investment.

COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTEREST IN LIMITED LIABILITY COMPANY (continued)

Activity from this investment is summarized in the following table.

Balance, December 31, 2009	\$	380,636
Net loss		(21,433)
Distributions received		<u>(60,816)</u>
 Balance, December 31, 2010	 \$	 <u>298,387</u>

The carrying value of the Foundation's investment at December 31, 2010 approximates the Foundation's underlying equity in the net assets of the limited liability company. Assets and liabilities of the limited liability company from unaudited financial statements totaled \$2,087,461 and \$493,044 respectively, at December 31, 2010. Revenue and net loss for the year ended December 31, 2010 were \$150,000 and \$68,665, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

Equipment and furniture	\$	19,758
Software		<u>9,229</u>
		28,987
Accumulated depreciation		<u>24,106</u>
	\$	<u>4,881</u>

NOTE 8 - DONATED SERVICES, EQUIPMENT, AND FACILITIES

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising, projects, programs, and special events. No amounts have been recognized because the criteria for recognition under SFAS No. 116 have not been satisfied.

In-kind contributions are recorded as revenue and expenses at fair market value as follows for the year ended December 31, 2010:

Accounting services	\$	<u>25,028</u>
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COMMUNITY FOUNDATION OF THE CENTRAL BLUE RIDGE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - MAJOR CONTRIBUTORS

Contributions from two donors represent 63% of total contributions for the year ended December 31, 2010.

NOTE 10 - OPERATING LEASE

The Foundation is currently in a one-year lease agreement for office space at the rate of \$650 per month payable at the beginning of the month. The tenant is responsible for general liability insurance.

NOTE 11 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 23, 2011, the date which the financial statements were available to be issued.