

The Erie Community Foundation

Consolidated Financial Statements and Supplemental Schedules

December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)

The Erie Community Foundation
Consolidated Financial Statements
December 31, 2011 and 2010
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Malin, Bergquist & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on the Consolidated Financial Statements

To the Board of Trustees
The Erie Community Foundation
Erie, Pennsylvania

We have audited the accompanying consolidated statements of financial position of The Erie Community Foundation and its supporting organizations (a nonprofit organization) (Foundation) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit of the accompanying consolidated statement of financial position as of December 31, 2011, and the related consolidated statements of activities and cash flows for the year then ended in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit of the accompanying consolidated statement of financial position as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Erie Community Foundation and its supporting organizations as of December 31, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, on our consideration of The Erie Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Malin, Bergquist & Company, LLP

Erie, Pennsylvania
May 15, 2012

The Erie Community Foundation
Consolidated Statements of Financial Position
As of December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,786,123	\$ 3,348,418
Investments	157,374,726	163,747,168
Other investments	169,741	163,415
Accrued interest income	218,648	208,765
Gifts receivable	607,856	459,677
Beneficial interests in trusts	1,033,599	1,440,364
Other assets	665,360	316,802
Cash value of life insurance	272,733	263,355
Fixed assets	1,295,948	1,404,189
Total assets	\$ 163,424,734	\$ 171,352,153
LIABILITIES		
Accounts payable and accrued expenses	\$ 223,173	\$ 190,776
Grants payable	726,397	576,431
Note payable	706,320	795,575
Annuity obligations	2,567,039	2,660,247
Agency endowments	46,209,164	48,183,753
Total liabilities	50,432,093	52,406,782
NET ASSETS		
Unrestricted		
Discretionary	55,395,567	57,789,382
Donor advised	16,912,367	17,590,042
Donor designated	25,237,808	26,451,735
Field of interest	456,831	459,968
Geographic	1,830,658	1,975,859
Scholarship funds	12,562,684	13,043,119
Total unrestricted	112,395,915	117,310,105
Temporarily restricted		
Annuities and trusts	596,726	1,635,266
Total temporarily restricted	596,726	1,635,266
Total net assets	112,992,641	118,945,371
Total liabilities and net assets	\$ 163,424,734	\$ 171,352,153

See Notes to Consolidated Financial Statements

The Erie Community Foundation
Consolidated Statement of Activities
Year Ended December 31, 2011

	<u>Discretionary</u>	<u>Donor Advised</u>	<u>Donor Designated</u>	<u>Field of Interest</u>
Revenues				
Public support and revenue	\$ 3,611,190	\$ 906,491	\$ 659,811	\$ 10,100
Administrative revenue from funds	1,175,698	-	-	-
Grant and other revenue	1,030,074	-	1,173	-
Change in value of split interest agreements	(10,593)	(24,378)	(17,412)	-
Investment net appreciation (depreciation)	(3,156,469)	(915,733)	(1,375,216)	(24,755)
Investment income	1,571,777	461,268	690,691	12,735
Investment fees	<u>(141,037)</u>	<u>(42,937)</u>	<u>(64,369)</u>	<u>(1,190)</u>
Total revenues	<u>4,080,640</u>	<u>384,711</u>	<u>(105,322)</u>	<u>(3,110)</u>
Net assets released resulting from satisfaction of restrictions	<u>15,254</u>	<u>202,138</u>	<u>-</u>	<u>-</u>
Expenses				
Grants, philanthropic services and special projects				
Grants	3,657,162	1,162,975	1,192,695	18,251
Program expense	<u>1,194,866</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total grants, philanthropic services and special projects	<u>4,852,028</u>	<u>1,162,975</u>	<u>1,192,695</u>	<u>18,251</u>
Supporting Services				
Administrative costs	1,168,041	101,116	149,642	2,814
Depreciation expense	109,790	-	-	-
Development expense	<u>359,850</u>	<u>433</u>	<u>655</u>	<u>-</u>
Total supporting services	<u>1,637,681</u>	<u>101,549</u>	<u>150,297</u>	<u>2,814</u>
Total expenses	<u>6,489,709</u>	<u>1,264,524</u>	<u>1,342,992</u>	<u>21,065</u>
Change in net assets	(2,393,815)	(677,675)	(1,448,314)	(24,175)
Transfers of net assets	-	-	234,387	21,038
Net assets at beginning of year	<u>57,789,382</u>	<u>17,590,042</u>	<u>26,451,735</u>	<u>459,968</u>
Net assets at end of year	<u>\$ 55,395,567</u>	<u>\$ 16,912,367</u>	<u>\$ 25,237,808</u>	<u>\$ 456,831</u>

<u>Geographic</u>	<u>Scholarship Funds</u>	<u>Annuities and Trusts</u>	<u>Total Before Eliminations</u>	<u>Less Interfund Gifts/Grants</u>	<u>Total 2011</u>
\$ 9,055	\$ 531,914	\$ 12,859	\$ 5,741,420	\$ (221,214)	\$ 5,520,206
-	-	-	1,175,698	(925,611)	250,087
1,950	6,744	-	1,039,941	-	1,039,941
-	-	(545,284)	(597,667)	-	(597,667)
(103,235)	(672,582)	(59,664)	(6,307,654)	-	(6,307,654)
52,393	350,622	29,296	3,168,782	-	3,168,782
<u>(4,939)</u>	<u>(32,751)</u>	<u>(2,930)</u>	<u>(290,153)</u>	<u>-</u>	<u>(290,153)</u>
<u>(44,776)</u>	<u>183,947</u>	<u>(565,723)</u>	<u>3,930,367</u>	<u>(1,146,825)</u>	<u>2,783,542</u>
-	-	(217,392)	-	-	-
88,669	573,959	-	6,693,711	(221,214)	6,472,497
<u>-</u>	<u>599</u>	<u>-</u>	<u>1,195,465</u>	<u>-</u>	<u>1,195,465</u>
<u>88,669</u>	<u>574,558</u>	<u>-</u>	<u>7,889,176</u>	<u>(221,214)</u>	<u>7,667,962</u>
11,756	89,824	-	1,523,193	(925,611)	597,582
-	-	-	109,790	-	109,790
<u>-</u>	<u>-</u>	<u>-</u>	<u>360,938</u>	<u>-</u>	<u>360,938</u>
<u>11,756</u>	<u>89,824</u>	<u>-</u>	<u>1,993,921</u>	<u>(925,611)</u>	<u>1,068,310</u>
<u>100,425</u>	<u>664,382</u>	<u>-</u>	<u>9,883,097</u>	<u>(1,146,825)</u>	<u>8,736,272</u>
(145,201)	(480,435)	(783,115)	(5,952,730)	-	(5,952,730)
-	-	(255,425)	-	-	-
<u>1,975,859</u>	<u>13,043,119</u>	<u>1,635,266</u>	<u>118,945,371</u>	<u>-</u>	<u>118,945,371</u>
<u>\$ 1,830,658</u>	<u>\$ 12,562,684</u>	<u>\$ 596,726</u>	<u>\$ 112,992,641</u>	<u>\$ -</u>	<u>\$ 112,992,641</u>

See Notes to Consolidated Financial Statements

The Erie Community Foundation
Consolidated Statement of Activities
Year Ended December 31, 2010

	<u>Discretionary</u>	<u>Donor Advised</u>	<u>Donor Designated</u>	<u>Field of Interest</u>
Revenues				
Public support and revenue	\$ 2,102,398	\$ 547,289	\$ 1,944,416	\$ -
Administrative revenue from funds	1,000,715	-	-	-
Grant and other revenue	448,740	23,432	-	-
Change in value of split interest agreements	11,027	(26,689)	57,347	-
Investment net appreciation (depreciation)	3,814,618	1,376,273	1,998,778	37,025
Investment income	1,369,448	445,979	657,314	12,004
Investment fees	(176,591)	(35,434)	(51,239)	(950)
Total revenues	<u>8,570,355</u>	<u>2,330,850</u>	<u>4,606,616</u>	<u>48,079</u>
Net assets released resulting from satisfaction of restrictions	<u>8,547</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses				
Grants, philanthropic services and special projects				
Grants	2,198,777	1,307,206	1,779,026	15,970
Program expense	<u>840,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total grants, philanthropic services and special projects	<u>3,038,907</u>	<u>1,307,206</u>	<u>1,779,026</u>	<u>15,970</u>
Supporting Services				
Administrative costs	1,075,787	93,622	131,690	2,506
Depreciation expense	107,847	-	-	-
Development expense	<u>339,760</u>	<u>492</u>	<u>480</u>	<u>-</u>
Total supporting services	<u>1,523,394</u>	<u>94,114</u>	<u>132,170</u>	<u>2,506</u>
Total expenses	<u>4,562,301</u>	<u>1,401,320</u>	<u>1,911,196</u>	<u>18,476</u>
Change in net assets	4,016,601	929,530	2,695,420	29,603
Transfers of net assets	3,626,717	(1,079,999)	1,038,857	(3,585,575)
Net assets at beginning of year	<u>50,146,064</u>	<u>17,740,511</u>	<u>22,717,458</u>	<u>4,015,940</u>
Net assets at end of year	<u>\$ 57,789,382</u>	<u>\$ 17,590,042</u>	<u>\$ 26,451,735</u>	<u>\$ 459,968</u>

<u>Geographic</u>	<u>Scholarship Funds</u>	<u>Annuities and Trusts</u>	<u>Total Before Eliminations</u>	<u>Less Interfund Gifts/Grants</u>	<u>Total 2010</u>
\$ 6,070	\$ 1,180,488	\$ 9,206	\$ 5,789,867	\$ (76,762)	\$ 5,713,105
-	-	-	1,000,715	(807,984)	192,731
5,000	3,537	-	480,709	-	480,709
-	-	261,104	302,789	-	302,789
161,856	1,043,943	117,675	8,550,168	-	8,550,168
53,464	334,555	39,556	2,912,320	-	2,912,320
<u>(4,319)</u>	<u>(25,793)</u>	<u>(3,204)</u>	<u>(297,530)</u>	<u>-</u>	<u>(297,530)</u>
<u>222,071</u>	<u>2,536,730</u>	<u>424,337</u>	<u>18,739,038</u>	<u>(884,746)</u>	<u>17,854,292</u>
<u>-</u>	<u>-</u>	<u>(8,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>
91,742	543,831	-	5,936,552	(76,762)	5,859,790
<u>-</u>	<u>599</u>	<u>-</u>	<u>840,729</u>	<u>-</u>	<u>840,729</u>
<u>91,742</u>	<u>544,430</u>	<u>-</u>	<u>6,777,281</u>	<u>(76,762)</u>	<u>6,700,519</u>
11,453	75,749	-	1,390,807	(807,984)	582,823
-	-	-	107,847	-	107,847
<u>-</u>	<u>585</u>	<u>-</u>	<u>341,317</u>	<u>-</u>	<u>341,317</u>
<u>11,453</u>	<u>76,334</u>	<u>-</u>	<u>1,839,971</u>	<u>(807,984)</u>	<u>1,031,987</u>
<u>103,195</u>	<u>620,764</u>	<u>-</u>	<u>8,617,252</u>	<u>(884,746)</u>	<u>7,732,506</u>
118,876	1,915,966	415,790	10,121,786	-	10,121,786
-	-	-	-	-	-
<u>1,856,983</u>	<u>11,127,153</u>	<u>1,219,476</u>	<u>108,823,585</u>	<u>-</u>	<u>108,823,585</u>
<u>\$ 1,975,859</u>	<u>\$ 13,043,119</u>	<u>\$ 1,635,266</u>	<u>\$ 118,945,371</u>	<u>\$ -</u>	<u>\$ 118,945,371</u>

See Notes to Consolidated Financial Statements

The Erie Community Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (5,952,730)	\$ 10,121,786
Depreciation expense	109,790	107,847
Net depreciation (appreciation) in investments	6,307,654	(8,550,168)
Donated real estate	-	(110,500)
Donated securities	(649,724)	(561,975)
Decrease (increase) in cash value of life insurance	(9,378)	4,430
Proceeds from sale of donated real estate	90,000	-
Changes in split interest agreement assumptions	575,934	402,189
(Increase) decrease in accrued interest income	(9,883)	(39,700)
(Increase) decrease in gifts receivable	(148,179)	34,125,972
(Increase) decrease in other assets	(438,558)	(4,929)
Increase (decrease) in accounts payable, accrued expenses and grants payable	182,363	(26,552,192)
Net cash provided by (used in) operating activities	57,289	8,942,760
<u>Cash Flows From Investing Activities</u>		
Purchase of investment securities	(76,075,757)	(90,050,756)
Sale of investment securities	74,370,035	77,138,794
Purchase of fixed assets	(1,550)	(5,875)
Net cash provided by (used in) investing activities	(1,707,272)	(12,917,837)
<u>Cash Flows From Financing Activities</u>		
Payments on long-term debt	(89,255)	(84,759)
Payments on annuity obligations	(274,517)	(341,902)
Agency endowment additions and income, excluding realized and unrealized gain (loss)	2,862,952	7,305,296
Agency endowment disbursements and expenses	(2,411,492)	(1,931,920)
Net cash provided by (used in) financing activities	87,688	4,946,715
Net increase (decrease) in cash and cash equivalents	(1,562,295)	971,638
<u>Cash and Cash Equivalents</u>		
Beginning	3,348,418	2,376,780
Ending	\$ 1,786,123	\$ 3,348,418
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash payments for grants	\$ 6,322,531	\$ 32,419,242
Cash payments for interest	39,106	43,603

See Notes to Consolidated Financial Statements

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

1. **Significant Accounting Policies**

Nature of Foundation

The Erie Community Foundation (Foundation) is a public charity primarily serving donors and the nonprofit sector in Erie County, Pennsylvania. The Foundation encourages the establishment of new charitable endowment funds and provides competitive, donor-advised/designated and scholarship grants to Arts and Culture, Community Development, Education, Health, Neighborhood Revitalization and Human Service organizations. The Foundation also provides a donor education program. Substantially all contributions received are from individuals with ties to Erie County.

The Foundation also currently coordinates and controls the activity of three supporting organizations; The Corry Community Foundation, The North East Community Foundation, and The Union City Community Foundation. Activity of these organizations is included in the consolidation of these financial statements.

Basis of Accounting

Unconditional promises to give (pledges) to the Foundation are recorded as receivables and revenues. Similarly, grants pledged by the Foundation are recorded as grant expense in the year pledged. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Resources are classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The net assets released from temporarily restricted net assets in 2011 and 2010 were due to satisfaction of time restrictions. There are no permanently restricted net assets.

Donors may restrict contributions for certain beneficiaries. However, the Foundation has “variance power” over these net assets; and, accordingly, they would be presented as unrestricted. The Foundation abides by donor intentions; however, it can modify donor intent when any restriction or conditions are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

A description of the Foundation’s net asset categories follows.

i. Unrestricted:

Discretionary – Funds in which the Board has full discretion with no donor stipulations.

Donor Advised – Donor established funds whereby the donor suggests specific organizations to benefit. Such donor recommendations are not binding on the Foundation but are taken into consideration when making grants.

Donor Designated – Funds in which the donor has named recipients to receive funds for a particular charitable purpose over a specified period of time. Such designations are not binding on the Foundation but are taken into consideration when making grants. Upon completion of the particular charitable purpose over a specified period of time, the Fund may be reclassified.

Field of Interest – Funds which benefit charitable organizations within a specific field, for example health care.

Geographic – Funds which benefit a specific geographic area, generally within Erie County.

Scholarship Funds – Funds in which the donor has designated distributions for scholarship recipients.

ii. Temporarily Restricted:

Annuities and Trusts – These net assets are from charitable remainder and lead trusts and annuities in which the Foundation is the trustee and are temporarily restricted due to time restrictions. The balance in receivables from annuities and trusts is an estimated amount.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

1. **Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

Cash equivalents include amounts in money market accounts. Cash balances with banks generally exceed FDIC insured limits. The Foundation has not experienced any losses with these accounts in the past.

Investments

The Foundation's investments are carried at fair value.

The change between fair value and cost of investments bought, sold and held during the year (realized and unrealized) is reflected as investment net appreciation (depreciation).

Investment income is allocated to all funds based on each fund's participation in the pool.

Generally accepted accounting principles establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Generally accepted accounting principles defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

Gifts Receivable

Documented unconditional promises to give from donors to contribute cash or other assets to the Foundation are recorded as gifts when the promise is made and it is determined there are no conditions that must be met. The amount receivable at December 31, 2011 expected to be collected is summarized as follows:

Unconditional promises expected to be collected in:

Less than one year	\$ 332,992
One to five years	274,864
More than five years	<u>-</u>
	<u>\$ 607,856</u>

Life Insurance Policies

Certain individuals have donated investments in life insurance policies which are carried at cash values. The cash value of the life insurance investments at December 31, 2011 and 2010 was \$272,733 and \$263,355, respectively. The total insurance benefit of these life insurance policies, net of policy loans, as of December 31, 2011 and 2010, is \$1,136,000 and \$1,210,000, respectively.

Fixed Assets

Fixed assets are recorded at cost. Furniture, equipment and software are depreciated on a straight-line basis over three to ten-year time periods. Buildings are being depreciated over forty years, and building improvements are being depreciated over ten to twenty-year time periods.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

1. **Significant Accounting Policies (Continued)**

Fixed Assets (Continued)

Fixed assets consist of the following at December 31:

	2011	2010
Land and land improvements	\$ 85,326	\$ 85,326
Buildings	285,866	285,866
Building improvements	878,741	878,741
Furniture and fixtures	452,456	450,907
Computer software	31,720	31,720
	1,734,109	1,732,560
Less: Accumulated depreciation	438,161	328,371
	\$ 1,295,948	\$ 1,404,189

Grants Payable

Grants that are not paid in the year of award are shown as grants payable at year-end and are typically paid in the subsequent year.

Agency Endowments

These amounts represent amounts held by the Foundation on behalf of other charitable organizations. Additions and reductions of agency endowment funds do not affect statement of activities amounts.

	2011	2010
Balance January 1	\$ 48,183,753	\$ 38,875,073
Additions	1,723,827	6,261,797
Net investment income (loss), net of investment fees	(1,286,924)	4,978,803
Expenses	(239,707)	(182,275)
Withdrawals	(2,171,785)	(1,749,645)
Balance December 31	\$ 46,209,164	\$ 48,183,753

Contributed Services

The Trustees of the Foundation have made contributions of their time to the development of the Foundation's growth, principally in the solicitation of donors and management of investment portfolios. The value of this contributed time is not reflected in these statements.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

1. **Significant Accounting Policies (Continued)**

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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.

Foundation Tax Status

The Foundation is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation has received a determination from the Internal Revenue Service that it is a publicly supported charity described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986, as amended.

The Foundation has adopted accounting standards as they relate to uncertain tax positions and has evaluated its tax positions taken for all open tax years. All open tax years are subject to examination by the Internal Revenue Service and by the Pennsylvania Department of Revenue. However, the Foundation is not currently under audit, nor has the Foundation been contacted by any of these jurisdictions. The Foundation has not been subject to any income tax penalties or interest for all open tax years.

Based on the evaluation of the Foundation's tax positions and elections, management believes that all tax positions taken and the tax-exempt status of the Organization would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions or the revocation of the Foundation's tax-exempt status has been recorded as of December 31, 2011 and 2010.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Subsequent Events

The Foundation has evaluated its December 31, 2011 financial statements for subsequent events through May 15, 2012, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the 2010 financial statements and related footnote disclosures have been reclassified to conform to the 2011 presentation.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

2. **Investments**

Investments, including agency endowments, at December 31, 2011 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Short-term investments	\$ 3,838,940	\$ 3,838,942	\$ (2)
Common stocks	42,637,129	37,932,266	4,704,863
Government securities	1,000,000	998,246	1,754
Mutual funds - equity	49,118,266	50,779,979	(1,661,713)
Mutual funds - fixed	36,306,890	36,984,080	(677,190)
Other	57,411	51,877	5,534
Alternative investments	<u>24,416,090</u>	<u>21,475,360</u>	<u>2,940,730</u>
	<u>\$ 157,374,726</u>	<u>\$ 152,060,750</u>	<u>\$ 5,313,976</u>

The Foundation realized losses on the sale of investments equal to \$347,392 in 2011. Proceeds from the sale of investments equaled \$74,370,035 in 2011.

Investments, including agency endowments, at December 31, 2010 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Short-term investments	\$ 10,295,286	\$ 10,295,286	\$ -
Common stocks	48,838,645	41,283,226	7,555,419
Corporate bonds	2,545,679	2,501,824	43,855
Government securities	2,274,333	2,274,368	(35)
Mutual funds - equity	47,806,388	44,921,723	2,884,665
Mutual funds - fixed	29,895,500	29,465,138	430,362
Alternative investments	<u>22,091,337</u>	<u>18,977,277</u>	<u>3,114,060</u>
	<u>\$ 163,747,168</u>	<u>\$ 149,718,842</u>	<u>\$ 14,028,326</u>

The Foundation realized losses on the sale of investments equal to \$1,600,953 in 2010. Proceeds from the sale of investments equaled \$77,138,794 in 2010.

The Board of Trustees sets overall investment objectives after consultation with an independent investment consulting firm. Specific security buy and sell decisions are made by the custodians of Foundation funds. The Board of Trustees reviews investment performance of the advisors and also periodically meets with representatives of those advisors for the purpose of discussing investment performance and objectives. There are no significant concentrations of investments by industry or company.

The Corry Community Foundation (Corry), a supporting organization of the Foundation, has pledged investment assets as collateral of \$1.8 million in connection with an agreement between Corry and a regional health organization. These assets are part of the Corry Memorial Hospital Agency Endowment.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

3. **Fair Value Measurement**

Generally accepted accounting principles establishes a framework for measuring fair value and requires certain disclosures about the fair value measurement. The framework describes three levels of inputs that may be used to measure fair value. Valuation techniques used to derive fair value of the investments are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect assumptions regarding exit market pricing for investments not traded in an active market. These techniques provide the inputs for the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets. Such prices are obtained from third-party nationally recognized pricing services. Level 1 securities primarily include publicly traded common stock, non-redeemable preferred stocks and U.S. Treasury securities.
- Level 2 – Observable inputs other than quoted prices in Level 1. These would include prices obtained from third-party pricing services that model prices based on observable inputs. Included in this category are primarily municipal securities, asset back securities, collateralized-mortgage obligations, foreign and domestic corporate bonds and redeemable preferred stocks. Non-redeemable preferred stocks for which a quote in an active market is unavailable and a value is obtained from a third-party pricing service are also included in this level.
- Level 3 – One or more of the inputs used to determine the value of the security are unobservable. Fair values for these assets are determined using comparable assets or valuations received from outside brokers or dealers. Examples of Level 3 inputs may include certain private preferred stock and bond securities, collateralized debt and loan obligations, hedge funds and credit linked notes.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Short-Term Investments: These investments are public investment vehicles valued using \$1 for the Net Asset Value (NAV). The short-term investments are classified within Level 1 of the valuation hierarchy.

Common Stocks: The Foundation's valuation methodology used to measure the fair value of these investment securities is derived from quoted market prices in an active market. They are classified within Level 1 of the valuation hierarchy.

Mutual Funds: These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is often a quoted price in the active market, and is classified within Level 1 of the valuation hierarchy. When the NAV is not a quoted price in an active market, it is classified within Level 2 of the valuation hierarchy.

Corporate Bond, Mortgages, and Treasury Bonds: These investments, which are generally long-term in nature, are reported at fair value based on pricing models and quoted market prices adjusted for credit and non-performance risk. These are classified as Level 2, as fair value is generally estimated using discounted cash flow models that are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other readily available relevant economic measures.

Limited Partnerships: These investments are privately held investment vehicles that are valued based on the Foundation's estimated portion of the partnership. These investment vehicles are maintained by third-party custodians, and the Foundation records the fair market value based upon their provided information. Based on the lack of observable inputs used in determining the value, these investments are classified within Level 3 of the valuation hierarchy.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

3. **Fair Value Measurement (Continued)**

Alternative Investments: These investments are privately held investment vehicles that are valued based on the success of the private companies who hold these investments. These investment vehicles are maintained by third-party custodians, and the Foundation records the fair market value based upon their provided information. Based on the lack of observable inputs used in determining the value, these investments are classified within Level 3 of the valuation hierarchy.

Beneficial Interests in Trusts: These investments consist of the Foundation's estimated portion of trusts of which they are named as a beneficiary. These investments are valued based upon the expected present value of cash flows. These investments are classified as Level 3, based upon the significant estimates used in calculating present value.

Annuity Obligations: These liabilities are valued at present value based upon assumptions of the discount rate and the life expectancy of the annuitant. These liabilities are classified as Level 3.

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

3. **Fair Value Measurement (Continued)**

The following table represents the fair value measurements on a recurring basis by major category of asset and liability and level of input as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Assets at fair value:				
Investments:				
Short-term investments	\$ 3,838,940	\$ -	\$ -	\$ 3,838,940
Common stocks				
Consumer discretionary	5,437,686	-	-	5,437,686
Consumer staples	4,672,843	-	-	4,672,843
Energy	3,818,139	-	-	3,818,139
Financial	6,757,990	-	-	6,757,990
Health care	5,503,525	-	-	5,503,525
Industrials	4,279,278	-	-	4,279,278
Information technology	6,586,728	-	-	6,586,728
Materials	1,642,265	-	-	1,642,265
Other common stocks	3,480,349	-	-	3,480,349
Mutual funds				
Growth	35,219,542	40,619	-	35,260,161
Income	12,060,330	-	-	12,060,330
Index	5,681,984	-	-	5,681,984
Inflation protected	87,083	-	-	87,083
Total return	32,352,164	-	-	32,352,164
Corporate bonds	-	462,979	-	462,979
Mortgages	-	36,192	-	36,192
Treasury bonds	-	1,000,000	-	1,000,000
Limited partnerships	-	-	7,993,381	7,993,381
Alternative investments	-	-	16,422,709	16,422,709
Total investments at fair value	<u>\$ 131,418,846</u>	<u>\$ 1,539,790</u>	<u>\$ 24,416,090</u>	<u>\$ 157,374,726</u>
Other investments				
Short-term investments	\$ 3,455	\$ -	\$ -	\$ 3,455
Mutual funds				
Growth	27,742	-	-	27,742
Index	10,600	-	-	10,600
Total return	<u>127,944</u>	<u>-</u>	<u>-</u>	<u>127,944</u>
Total other investments at fair value	<u>\$ 169,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,741</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,033,599</u>	<u>\$ 1,033,599</u>
Liabilities at fair value:				
Annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,567,039</u>	<u>\$ 2,567,039</u>

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

3. **Fair Value Measurement (Continued)**

The following table represents the fair value measurements on a recurring basis by major category of asset and level of input as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Assets at fair value:				
Investments:				
Short-term investments	\$ 10,295,286	\$ -	\$ -	\$ 10,295,286
Common stocks				
Consumer discretionary	5,396,623	-	-	5,396,623
Consumer staples	4,681,051	-	-	4,681,051
Energy	4,915,666	-	-	4,915,666
Financial	7,712,363	-	-	7,712,363
Health care	4,979,043	-	-	4,979,043
Industrials	5,238,523	-	-	5,238,523
Information technology	6,932,819	-	-	6,932,819
Other common stocks	5,325,678	-	-	5,325,678
Mutual funds				
Growth	32,438,256	-	-	32,438,256
Income	6,318,624	-	-	6,318,624
Index	14,399,899	-	-	14,399,899
Inflation protected	57,762	-	-	57,762
Total return	24,240,117	-	-	24,240,117
Corporate bonds	-	3,612,763	-	3,612,763
Treasury bonds	-	2,138,279	-	2,138,279
Agency bonds	-	2,681,733	-	2,681,733
Other fixed income	-	291,346	-	291,346
Limited partnerships	-	-	7,393,592	7,393,592
Alternative investments	-	-	14,697,745	14,697,745
	<u>\$ 132,931,710</u>	<u>\$ 8,724,121</u>	<u>\$ 22,091,337</u>	<u>\$ 163,747,168</u>
Other investments				
Short-term investments	\$ 2,976	\$ -	\$ -	\$ 2,976
Mutual funds				
Growth	30,508	-	-	30,508
Index	120,686	-	-	120,686
Total return	9,245	-	-	9,245
	<u>\$ 163,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,415</u>
Beneficial interests in trusts				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,440,364</u>	<u>\$ 1,440,364</u>
Liabilities at fair value:				
Annuity obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,660,247</u>	<u>\$ 2,660,247</u>

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

3. **Fair Value Measurement (Continued)**

The following table provides a reconciliation of assets and liabilities measured at fair value on a recurring basis for securities using Level 3 inputs for the year ended December 31, 2011:

	Assets			Liabilities
	Limited Partnerships	Alternative Investments	Beneficial Interests in Trusts	Annuity Obligations
Beginning balance, December 31, 2010	\$ 7,393,592	\$ 14,697,745	\$ 1,440,364	\$ 2,660,247
Additions	2,445,024	1,226,000	-	12,141
Realized and unrealized gains	(437,238)	591,829	(10,540)	-
Withdrawals	(1,407,997)	(92,865)	(354,435)	(274,517)
Valuation adjustments	-	-	(41,790)	169,168
Ending balance, December 31, 2011	<u>\$ 7,993,381</u>	<u>\$ 16,422,709</u>	<u>\$ 1,033,599</u>	<u>\$ 2,567,039</u>

The following table provides a reconciliation of assets and liabilities measured at fair value on a recurring basis for securities using Level 3 inputs for the year ended December 31, 2010:

	Assets			Liabilities
	Limited Partnerships	Alternative Investments	Beneficial Interests in Trusts	Annuity Obligations
Beginning balance, December 31, 2009	\$ 1,842,309	\$ 11,860,314	\$ 1,895,425	\$ 3,033,685
Additions	4,407,344	2,226,000	-	21,336
Realized and unrealized gains	1,143,939	611,431	35,818	-
Withdrawals	-	-	(521,536)	(341,902)
Valuation adjustments	-	-	30,657	(52,872)
Ending balance, December 31, 2010	<u>\$ 7,393,592</u>	<u>\$ 14,697,745</u>	<u>\$ 1,440,364</u>	<u>\$ 2,660,247</u>

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

4. **Program Expenses**

The Erie Community Foundation also provides a number of services and programs designed to enhance the governance and management of nonprofit organizations and to improve the lives of Erie County residents. These services are delivered directly through staff participation in grant making, community-based initiatives, partnerships and coalitions. The following is a detail of program expenses for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Salaries	\$ 425,615	\$ 445,501
Payroll taxes	29,237	32,287
Employee benefits	72,750	84,751
Meetings and conferences	76,606	82,554
Dues	50	500
Marketing	37,388	32,904
Professional services	120,512	86,442
Rent and occupancy	16,387	12,993
Vehicle costs	2,700	2,700
Office supplies and expense	24,918	30,468
Fund expenses	599	599
Equipment purchased/rental and maintenance	19,938	29,030
Bayfront Beautification Project	368,765	-
	<u>1,195,465</u>	<u>840,729</u>
Total	\$ 1,195,465	\$ 840,729

5. **Supporting Services**

	<u>Administrative</u>	<u>Development</u>	<u>Total 2011</u>	<u>Total 2010</u>
Salaries	\$ 252,114	\$ 176,914	\$ 429,028	\$ 420,366
Payroll taxes	19,317	14,132	33,449	30,844
Employee benefits	52,482	38,394	90,876	99,966
Meetings and conferences	36,401	26,605	63,006	38,545
Dues and subscriptions	13,991	-	13,991	14,855
Marketing	38,520	61,695	100,215	89,291
Professional services	62,625	5,991	68,616	87,598
Rent and occupancy	13,100	9,584	22,684	17,373
Equipment purchased/rental and maintenance	17,667	13,213	30,880	22,089
Insurances	33,485	-	33,485	30,927
Vehicle costs	600	2,700	3,300	3,300
Office supplies and expense	18,165	10,622	28,787	21,426
Interest expense	39,106	-	39,106	43,603
Fund administrative and fundraising expenses	9	1,088	1,097	3,957
	<u>9</u>	<u>1,088</u>	<u>1,097</u>	<u>3,957</u>
Total	\$ 597,582	\$ 360,938	\$ 958,520	\$ 924,140

The Erie Community Foundation
Notes to Consolidated Financial Statements
December 31, 2011 and 2010

6. **Split-Interest Agreements**

Assets Held and Annuity Obligations

The Foundation administers various charitable remainder trusts and gift annuities. These trusts and annuities provide for the payment of distributions to the grantor or other designated beneficiaries over the trust or annuity terms (usually the designated beneficiary's lifetime). At the end of the term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust or annuity is established. There was a new liability established in 2011 for a total of \$12,141. Assets held in these trusts totaled \$3,166,765 at December 31, 2011 and are reported in investments at fair market value in the Foundation's Statement of Financial Position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates of 6% to 10% and applicable mortality tables. The annuity obligation at December 31, 2011 and 2010 is estimated to be \$2,567,039 and \$2,660,247, respectively.

Beneficial Interests in Trusts

The Foundation is also the beneficiary of charitable remainder and lead trusts, where the Foundation does not hold the trust assets. For these trusts, the Foundation records an estimated fair value amount for these beneficial interests equal to the present value of estimated expected cash flows to be received. The estimated value of the beneficial interests totaled \$1,033,599 and \$1,440,364 as of December 31, 2011 and 2010, respectively.

7. **Retirement and Deferred Compensation Plans**

The Foundation has established a 401(k) retirement plan that provides for an employer matching contribution. For the year ended December 31, 2011, the employer matching contribution was equal to 100% of employee deferral amounts up to 7% of the participant's salary. For the year ended December 31, 2010, the employer matching contribution was equal to 100% of employee deferral amounts up to 6% of the participant's salary. There are no eligibility or service requirements for employees to participate in making elective deferrals to the plan. Employees who meet certain eligibility requirements are available to receive employer matching contributions. In 2011 and 2010, the expense related to this plan totaled \$54,472 and \$53,194, respectively.

The Foundation established a deferred compensation plan for the President during 2004. An initial contribution was made in 2004 as a catch-up for prior years, when the Foundation did not offer a 401(k) plan. The expense for 2011 was \$6,325 and the expense for 2010 was \$26,458. The liability of \$169,741 is included in accounts payable and accrued expenses.

8. **Note Payable**

In 2008, the Foundation obtained a note payable with PNC Bank in the amount of \$1,000,000, with a fixed interest rate of 5.11% per annum and a monthly payment of \$10,697. Principal outstanding at December 31, 2011 and 2010 totaled \$706,320 and \$795,575, respectively. The loan is collateralized by the PNC Mutual Funds Investment Account, with a current market value of \$53.1 million. The following table represents the current and future obligations of the note:

Current	\$	94,824
2013		99,430
2014		104,632
2015		110,106
2016		115,866
Years thereafter		181,462

9. **Commitments**

As of December 31, 2011, the Foundation has commitments to five private equity funds to invest funds totaling \$24,000,000. As of December 31, 2011, the Foundation made capital contributions of \$10,785,874, leaving a remaining commitment of \$13,214,126.



Malin, Bergquist & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

To the Board of Trustees
The Erie Community Foundation
Erie, Pennsylvania

We have audited the consolidated financial statements of the Erie Community Foundation as of and for the year ended December 31, 2011, and have issued our report thereon dated May 15, 2012, which contained an unqualified opinion on those consolidated financial statements and appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Malin, Bergquist & Company, LLP

Erie, Pennsylvania
September 26, 2012



Malin, Bergquist & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
The Erie Community Foundation
Erie, Pennsylvania

We have audited the financial statements of The Erie Community Foundation (Foundation) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Foundation, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Malin, Bergquist & Company, LLP

Erie, Pennsylvania
May 15, 2012



Malin, Bergquist & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
The Erie Community Foundation
Erie, Pennsylvania

Compliance

We have audited The Erie Community Foundation's (Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2011. The Foundation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Foundation, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Malin, Bergquist & Company, LLP

Erie, Pennsylvania
September 26, 2012

**The Erie Community Foundation
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011**

<u>Federal Agency / Program</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
ARRA - Strengthening Communities Fund - Nonprofit Capacity Building Program	93.711	n/a	\$ <u>672,103</u>
Total U.S. Department of Health and Human Services			672,103
<u>U.S. Corporation for National and Community Services</u>			
Social Innovation Fund	94.019	United Way of Pennsylvania	\$ <u>125,000</u>
Total U.S. Corporation for National and Community Services			<u>125,000</u>
Total Expenditures of Federal Awards			\$ <u><u>797,103</u></u>

See Independent Auditors' Report and Accompanying Notes to Schedule of Expenditures of Federal Awards

The Erie Community Foundation
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of The Erie Community Foundation.

2. **Basis of Accounting and Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

**The Erie Community Foundation
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? Yes No
 Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes No
 Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.711	ARRA – Strengthening Communities Fund – Nonprofit Capacity Building Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings to be reported by Section 510(a) of Circular A-133 (e.g. significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

None

**Erie Community Foundation
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported