

COMBINED FINANCIAL STATEMENTS

and Additional Information with Independent Auditors' Report

December 31, 2010 & 2009

Endeavor Foundation formerly known as
Northwest Arkansas Community Foundation

It's probably fair to say that when people hear the word "audit," not much good comes to mind. However, annual financial audits serve a very important function in the nonprofit world—they're your assurance that a nonprofit conducts its financial dealings in a responsible, truthful way. Donors demand transparency and accountability now more than ever, and Endeavor understands that our annual audit can be an important tool donors use when deciding to give.

In order to give our donors real assurance, our annual audit is conducted by an objective, outside accounting firm: the external auditor. The auditor's goal is to ensure that the Foundation's financial transactions and accounting practices for the previous year were conducted legally, ethically, and in accordance with proper accounting rules—if so, the auditor will offer an unqualified opinion that our financial statements are "materially correct." In other words, the auditor's report doesn't tell you whether our financial numbers look "good" or "bad"; it does, however, verify that those numbers were reported honestly and accurately. This report includes a full breakdown of our finances, allowing people to examine the numbers for themselves and draw their own conclusions, assured that the information they're reviewing is accurate and truthful.

Also, you'll notice our 2010 Audit Statements identify us as "Northwest Arkansas Community Foundation," rather than "Endeavor Foundation." Rest assured, we are one and the same. This was our previous name, used from our founding in 1999 until the name change to Endeavor Foundation in October 2011. Next year's audit, as well as any other official documents created after October 2011, will reflect that name change, identifying us as Endeavor Foundation.

Each year, Endeavor Foundation makes its audited financial statements available for your review. As always, please contact us if you have any questions or concerns.

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Independent Auditors' Report

Board of Directors
Northwest Arkansas Community Foundation
and Care Foundation, Inc.
Springdale, Arkansas

We have audited the accompanying combined statements of financial position of the Northwest Arkansas Community Foundation and the Care Foundation, Inc. of December 31, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Community Foundation's management. Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Northwest Arkansas Community Foundation and the Care Foundation, Inc. as of December 31, 2010 and 2009, and the combined results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

FROST, PLLC

Certified Public Accountants

Little Rock, Arkansas
April 28, 2011

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FROST, PLLC is an independent firm associated with Moore Stephens.

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

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Combined Statements of Financial Position

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 212,473	\$ 326,162
Prepaid expenses	12,848	23,354
Short-term investments	<u>563,627</u>	<u>617,170</u>
Total current assets	<u>788,948</u>	<u>966,686</u>
Restricted cash	<u>383,886</u>	<u>377,599</u>
Property and equipment, net	<u>67,345</u>	<u>83,811</u>
Beneficial interest in trust	<u>293,000</u>	<u>293,000</u>
Investments	<u>146,797,236</u>	<u>131,433,208</u>
Total assets	<u>\$ 148,330,415</u>	<u>\$ 133,154,304</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Grants payable	\$ 267,206	\$ 544,176
Accounts payable	3,135	4,206
Accrued expenses	11,236	53,701
Current maturities of long-term debt	<u>9,253</u>	<u>8,768</u>
Total current liabilities	<u>290,830</u>	<u>610,851</u>
Long-term debt, less current maturities	<u>448,136</u>	<u>457,389</u>
Nonprofit endowment funds	<u>7,561,545</u>	<u>6,636,972</u>
Net assets		
Unrestricted	131,407,492	117,476,536
Temporarily restricted	8,339,111	7,689,255
Permanently restricted	<u>283,301</u>	<u>283,301</u>
Total net assets	<u>140,029,904</u>	<u>125,449,092</u>
Total liabilities and net assets	<u>\$ 148,330,415</u>	<u>\$ 133,154,304</u>

The accompanying notes are an integral part of these combined financial statements.

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Combined Statements of Activities

For the Years Ended December 31, 2010 and 2009

	2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 2,601	\$ 912,608	\$ -	\$ 915,209
Investment return, net	17,322,744	1,061,809	-	18,384,553
Other income	90,640	-	-	90,640
	17,415,985	1,974,417	-	19,390,402
Net assets released from restrictions	1,324,561	(1,324,561)	-	-
Total revenues, gains and other support	18,740,546	649,856	-	19,390,402
Expenses				
Program	3,937,616	-	-	3,937,616
Management and general	871,974	-	-	871,974
Total expenses	4,809,590	-	-	4,809,590
Changes in net assets	13,930,956	649,856	-	14,580,812
Net assets - beginning of year, as restated (Note 13)	117,476,536	7,689,255	283,301	125,449,092
Net assets - end of year	\$ 131,407,492	\$ 8,339,111	\$ 283,301	\$ 140,029,904

2009			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 37,310	\$ 897,783	\$ 100,000	\$ 1,035,093
25,805,245	1,544,582	-	27,349,827
<u>89,174</u>	<u>-</u>	<u>-</u>	<u>89,174</u>
25,931,729	2,442,365	100,000	28,474,094
<u>987,074</u>	<u>(987,074)</u>	<u>-</u>	<u>-</u>
<u>26,918,803</u>	<u>1,455,291</u>	<u>100,000</u>	<u>28,474,094</u>
4,750,594	-	-	4,750,594
<u>887,003</u>	<u>-</u>	<u>-</u>	<u>887,003</u>
<u>5,637,597</u>	<u>-</u>	<u>-</u>	<u>5,637,597</u>
21,281,206	1,455,291	100,000	22,836,497
<u>96,195,330</u>	<u>6,233,964</u>	<u>183,301</u>	<u>102,612,595</u>
<u>\$ 117,476,536</u>	<u>\$ 7,689,255</u>	<u>\$ 283,301</u>	<u>\$ 125,449,092</u>

The accompanying notes are an integral part of these combined financial statements.

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

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Combined Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Changes in net assets	\$ 14,580,812	\$ 22,836,497
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	23,678	21,197
Loss on disposal of equipment	832	-
Agency endowment funds gains and deposits	1,220,765	1,512,652
Agency endowment funds distributed	(296,192)	(273,744)
Net investment return	(19,364,029)	(27,859,901)
Changes in operating assets and liabilities		
Other current assets	-	700
Prepaid expenses	10,506	1,237
Accrued expenses	(42,465)	(20,967)
Accounts payable	(1,071)	(19,351)
Grants payable	<u>(276,970)</u>	<u>262,176</u>
Net cash used by operating activities	<u>(4,144,134)</u>	<u>(3,539,504)</u>
 Cash flows from investing activities		
Net change in restricted cash	(6,287)	(377,599)
Proceeds from sale of investments - distributions	5,000,000	4,591,000
Proceeds from sale of investments - rebalancing	-	24,990,719
Purchases of investments	(1,000,000)	(25,898,280)
Decrease in short-term investments	53,544	175,629
Purchases of equipment	<u>(8,044)</u>	<u>(14,028)</u>
Net cash provided by investing activities	<u>4,039,213</u>	<u>3,467,441</u>
 Cash flows from financing activities		
Principal payments on long-term debt	<u>(8,768)</u>	<u>(8,308)</u>
Net cash used by financing activities	<u>(8,768)</u>	<u>(8,308)</u>
 Net decrease in cash and cash equivalents	(113,689)	(80,371)
 Cash and cash equivalents - beginning of year	<u>326,162</u>	<u>406,533</u>
 Cash and cash equivalents - end of year	<u>\$ 212,473</u>	<u>\$ 326,162</u>
 <u>Supplementary disclosure of cash flow information</u>		
Cash paid during the year for interest	\$ 34,528	\$ 34,987

The accompanying notes are an integral part of these combined financial statements.

Notes to Combined Financial Statements

December 31, 2010 and 2009

1. **Nature of Activities and Summary of Significant Accounting Policies**

- a. **Nature of activities** – Northwest Arkansas Community Foundation (the “Community Foundation”) collaborates with donors, philanthropic partners and charitable organizations to improve the quality of life in Northwest Arkansas by increasing and stewarding philanthropic resources, providing leadership and making grants that address community needs. The Community Foundation seeks to be a philanthropic leader - promoting (contributing to) a thriving community and quality of life in Northwest Arkansas. Care Foundation, Inc. is a supporting organization to the Community Foundation.
- b. **Basis of accounting** – The combined financial statements of the Community Foundation have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.
- c. **Basis of presentation** – The combined financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, “Presentation of Financial Statements.” Under ASC 958-205, the Community Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.
- d. **Net asset classification** –

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets – Represent funds available for grants and expenses which are not otherwise limited by donor restrictions. These funds provide the Community Foundation the discretion and flexibility to direct funding to charitable organizations working to make a direct impact in Northwest Arkansas communities along with the Community Foundation’s operating expenses.

Temporarily restricted net assets – Consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time. The majority of the Community Foundation’s net assets are temporarily restricted for grant making purposes as outlined in the individual fund agreements.

Permanently restricted net assets – Are subject to irrevocable donor restrictions requiring the assets to be maintained in perpetuity for the purpose of generating investment income to fund current grants, scholarships and expenses. Included in permanently restricted net assets are endowed trust assets from which the corpus may never be withdrawn.

Notes to Combined Financial Statements

December 31, 2010 and 2009

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purposes for which the contributions are intended. Pursuant to the Community Foundation's articles of incorporation, bylaws and fund agreements between the Foundation and donors, the Board of Directors maintains "variance power" which provides them with authority and control over contributions received and the related income and net change in value realized thereon.

- e. **Cash and cash equivalents** – For purposes of the combined statements of cash flows, the Community Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- f. **Use of estimates** – The preparation of combined 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 of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined statements of financial position and the reported amounts of revenues and expenses in the combined statements of activities. Actual results could differ from those estimates.
- g. **Investments and investment return** – Under ASC 958-320 "Investments – Debt and Equity Securities," investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their estimated fair values in the combined statements of financial position. Unrealized gains or losses are included in the change in net assets in the accompanying combined statements of activities. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments net of investment management fees.
- h. **Investment in various LLC's** – The Community Foundation's primary investments consist of several Rogerscasey Target Solutions, LLC's ("RCTS") commingled funds, with each fund being a separate legal LLC and representing a specific investment strategy. The commingled funds are utilized together to implement the Community Foundation's asset allocation. Each commingled fund is sub-advised by one or more investment management firms with all decisions related to the hiring or termination of each sub-advisor made by Rogerscasey's Multi-Manager Solutions Group. The Community Foundation's investment in each comingled fund is determined by its share of the allocated net assets of the fund as determined by the underlying fair value of the LLC's related assets and liabilities. For investment securities traded in an active market, fair values are measured on a recurring basis, obtained from an independent pricing service and based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes or comprehensive interest rate tables and pricing matrices. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs or value drivers and is generally determined using expected cash flows and appropriate risk-adjusted discount rates. Expected cash flows are based primarily on the contractual cash flows of the instrument, and the risk-adjusted discount rate is typically the contractual coupon rate of the instrument on the measurement date, adjusted for changes in interest rate spreads of the yields on comparable corporate or municipal bonds and

Notes to Combined Financial Statements

December 31, 2010 and 2009

1. **Nature of Activities and Summary of Significant Accounting Policies (cont.)**

the yields on U.S. Treasuries between the date of purchase and the measurement date. The LLC's themselves are not readily tradable however the holdings within these funds are publicly traded and valued fixed income and equity securities that are readily tradable. The investment in the various LLC's is considered by management as a Level 2 investment as the underlying market value of the assets of each fund is determined from observable inputs as described above, and each fund maintains at least monthly liquidity.

- i. **Allocation of investment income** – The Community Foundation has adopted policies for the allocation of investment income and administrative expenses to various funds. Generally, assets of funds that are not in separate bank or broker accounts are pooled for investment purposes. Investment income earned by these pooled assets is allocated to each fund participating in the pool based on the average daily balance outstanding.
- j. **Restricted cash** – Restricted cash represents contributions that have been designated by the donors for specific purposes.
- k. **Property and equipment** – Property and equipment is stated at cost or fair market value of donated assets. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. Acquisitions of property and equipment in excess of \$1,000 and a useful life over one year are capitalized.
- l. **Contributions** – Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

- m. **Grant expenses** – Grant expenses are recorded when approved by the board. In some instances, grants are approved contingent upon activities to be performed by the grantee. Conditional grants are recognized as expense when the conditional requirements have been met.
- n. **Advertising** – The Community Foundation expenses all advertising costs as incurred. Total advertising costs were \$1,776 and \$28,564 for the years ended December 31, 2010 and 2009, respectively.

Notes to Combined Financial Statements

December 31, 2010 and 2009

1. Nature of Activities and Summary of Significant Accounting Policies (cont.)

- o. **Functional expenses** – Expenses are charged to programs based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to programs based on management estimate.
- p. **Income taxes** – The Northwest Arkansas Community Foundation and the Care Foundation, Inc. have been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and a similar code section under Arkansas Statutes. Accordingly, no provision for federal or state income taxes has been made.
- q. **Nonprofit endowment funds** – Accounting standards address transactions for which the Community Foundation accepts a contribution from a donor and agrees to transfer those assets, the net return on investment of those assets, or both, to a not-for-profit organization that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at a community foundation with its own assets and specifies itself as the beneficiary of that fund, the Community Foundation must account for the transfer of such assets as a liability. These funds are referred to as nonprofit endowment funds and are reported as a separate line item in the accompanying combined statements of financial position. The Community Foundation maintains variance power, as described previously, and legal ownership of nonprofit endowments, and as such continues to report these endowed funds as assets of the Community Foundation. However, pursuant to ASC 958-605, “Revenue Recognition,” a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations. Financial activity related to these funds for the years ended December 31, 2010 and 2009 are excluded from the Community Foundation’s combined statements of activities.
- r. **Impairment of long-lived assets** – The Community Foundation reviews the carrying value of long-lived assets for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amounts of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the excess of the carrying amount of the fair value of the assets. Based on management’s assessment, there were no triggering events for the years ended December 31, 2010 or 2009.

Notes to Combined Financial Statements

December 31, 2010 and 2009

2. **Financial Instruments With Risk of Accounting Loss**

Deposits in financial institutions are financial instruments that could potentially subject the Community Foundation to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. All deposits of the Community Foundation are in financial institutions and are carried at cost. As of December 31, 2010, the amounts of deposits are displayed on the combined statements of financial position as “cash and cash equivalents,” “restricted cash” and “short-term investments.”

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured ("FDIC")	\$ 1,137,099	\$ 1,184,805
Uninsured/uncollateralized	<u>18,500</u>	<u>18,500</u>
Total	<u>\$ 1,155,599</u>	<u>\$ 1,203,305</u>

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Notes to Combined Financial Statements

December 31, 2010 and 2009

3. Investments and Investment Return

Investments consist of the following:

	2010						
	Fixed Income Holding	International Holding	Large Cap Holding	Small-Mid Cap Holding	Alternative Investments	Trust Accounts	Total
RCTS Global Fixed Income	\$ 4,327,532	-	-	-	-	-	\$ 4,327,532
RCTS Inflation Protection Fixed Income	5,542,707	-	-	-	-	-	5,542,707
RCTS Core Fixed Income	15,168,551	-	-	-	-	-	15,168,551
RCTS Emerging Markets Debt	7,464,388	-	-	-	-	-	7,464,388
RCTS High Yield Fixed Income Portfolio	4,464,541	-	-	-	-	-	4,464,541
RCTS Large Cap Growth International Equity	-	5,537,371	-	-	-	-	5,537,371
RCTS Internal Large Cap Core Equity	-	8,582,060	-	-	-	-	8,582,060
RCTS Large Cap Value International Equity	-	5,322,193	-	-	-	-	5,322,193
RCTS Emerging Market	-	8,470,777	-	-	-	-	8,470,777
RCTS SC ACT International	-	6,251,617	-	-	-	-	6,251,617
RCTS Large Cap Aggressive Value U.S. Equity	-	-	8,409,796	-	-	-	8,409,796
RCTS Large Cap Enhanced Index U.S. Equity	-	-	15,490,583	-	-	-	15,490,583
RCTS Large Cap Aggressive Growth U.S. Equity	-	-	10,456,328	-	-	-	10,456,328
RCTS Large Cap Traditional Growth U.S. Equity	-	-	9,229,659	-	-	-	9,229,659
RCTS Large Cap Traditional Value U.S. Equity	-	-	8,486,073	-	-	-	8,486,073
RCTS Small-Mid Cap Value US Equity	-	-	-	5,227,104	-	-	5,227,104
RCTS Small-Mid Cap Core U.S. Equity	-	-	-	3,632,070	-	-	3,632,070
RCTS Small-Mid Cap Growth U.S. Equity	-	-	-	5,425,430	-	-	5,425,430
Arden Alternative Advisers SPC USD Series A Tranche 1	-	-	-	-	5,316,383	-	5,316,383
Mesirow Absolute Return Fund Ltd D - Class S	-	-	-	-	3,992,073	-	3,992,073
Money market funds, certificates of deposit and short-term treasury	1,663	193	213	2,319	-	559,239	563,627
Total investments	<u>\$ 36,969,382</u>	<u>\$ 34,164,211</u>	<u>\$ 52,072,652</u>	<u>\$ 14,286,923</u>	<u>\$ 9,308,456</u>	<u>\$ 559,239</u>	<u>\$ 147,360,863</u>

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Notes to Combined Financial Statements

December 31, 2010 and 2009

3. Investments and Investment Return (cont.)

	2009						
	Fixed Income Holding	International Holding	Large Cap Holding	Small-Mid Cap Holding	Alternative Investments	Trust Accounts	Total
RCTS Global Fixed Income	\$ 3,836,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,836,269
RCTS Inflation Protection Fixed Income	5,145,550	-	-	-	-	-	5,145,550
RCTS Core Fixed Income	16,284,563	-	-	-	-	-	16,284,563
RCTS Emerging Markets Debt	6,394,149	-	-	-	-	-	6,394,149
RCTS High Yield Fixed Income Portfolio	3,969,182	-	-	-	-	-	3,969,182
RCTS Large Cap Growth International Equity	-	5,167,914	-	-	-	-	5,167,914
RCTS Internal Large Cap Core Equity	-	7,836,034	-	-	-	-	7,836,034
RCTS Large Cap Value International Equity	-	4,709,162	-	-	-	-	4,709,162
RCTS Emerging Market	-	6,877,912	-	-	-	-	6,877,912
RCTS SC ACT International	-	5,146,979	-	-	-	-	5,146,979
RCTS Large Cap Aggressive Value U.S. Equity	-	-	7,175,148	-	-	-	7,175,148
RCTS Large Cap Enhanced Index U.S. Equity	-	-	13,484,090	-	-	-	13,484,090
RCTS Large Cap Aggressive Growth U.S. Equity	-	-	8,479,047	-	-	-	8,479,047
RCTS Large Cap Traditional Growth U.S. Equity	-	-	8,302,303	-	-	-	8,302,303
RCTS Large Cap Traditional Value U.S. Equity	-	-	7,407,138	-	-	-	7,407,138
RCTS Small-Mid Cap Value US Equity	-	-	-	5,188,975	-	-	5,188,975
RCTS Small-Mid Cap Core U.S. Equity	-	-	-	2,800,647	-	-	2,800,647
RCTS Small-Mid Cap Growth U.S. Equity	-	-	-	5,353,700	-	-	5,353,700
Arden Alternative Advisers SPC USD Series A Tranche 1	-	-	-	-	5,020,400	-	5,020,400
Mesirow Absolute Return Fund Ltd D - Class S	-	-	-	-	2,854,046	-	2,854,046
Money market funds, certificates of deposit and short-term treasury	1,663	193	56,217	45	-	559,052	617,170
Total investments	\$ 35,631,376	\$ 29,738,194	\$ 44,903,943	\$ 13,343,367	\$ 7,874,446	\$ 559,052	\$ 132,050,378

The Community Foundation is a member in various private equity funds of RCTS with each of the above RCTS investments representing the Community Foundation's allocated net assets of the related fund. Each related series investment is a separate LLC investment.

Notes to Combined Financial Statements

December 31, 2010 and 2009

3. Investments and Investment Return (cont.)

Investment return consists of the following:

	<u>2010</u>	<u>2009</u>
Investment income	\$ 2,601,428	\$ 2,030,301
Net realized gains (losses)	2,445,629	(1,781,501)
Net unrealized gains on investments reported at fair value	13,964,192	27,647,483
Management fees	<u>(626,696)</u>	<u>(546,456)</u>
	<u>\$ 18,384,553</u>	<u>\$ 27,349,827</u>

The assets of the Community Foundation have a long investment time horizon. The primary investment objective of the portfolio is to grow the corpus in excess of inflation and to meet the current and future obligations to the community as dictated by the Community Foundation's Board of Directors spending objectives. This objective is to be achieved through the establishment of an optimal portfolio structure and through the retention of quality investment managers capable of meeting the specific performance goals.

Members generally will have the right to withdraw any portion of their units as of the last business day of any calendar month by providing written notification no later than 30 calendar days prior to the withdrawal date. The managing member may delay or prevent the withdrawal if it believes that extraordinary circumstances exist, including, but not limited to; 1) a sub-advisor's inability to liquidate a portfolio's assets as of the withdrawal date; or 2) there is a default or delay in payment due the portfolio from brokers, banks or funds in which it is invested; or 3) the managing member decides not to liquidate such assets on a disadvantageous basis; or 4) other circumstances permitted by the agreement.

The managing member may, by prior written notice to a member, terminate the interest of any member in the LLC in its entirety, effective on any date designated by the management member (which generally shall not be less than five (5) days after delivery of the written notice). The managing member, in its sole discretion, may waive such notice period if the managing member believes the member's interest in the LLC will subject the LLC to unfavorable treatment under the federal or state tax or securities laws. A member whose interest has been terminated generally will receive withdrawal proceeds within five (5) calendar days from the withdrawal date.

To the extent required by the Delaware Act and applicable law, a member may be required to return a portion or all of a distribution made by an investment. Under the Delaware Act, a member who has knowingly received a distribution from the LLC will be liable for three years following such distribution to the LLC to the extent (but only to the extent of such distribution), at the time of such distribution, after giving effect thereto, that the liability of the LLC exceeded the fair value of the assets of the LLC. In addition, to the extent permitted under the Delaware Act, the managing member may require a member (including any former member) to return distributions made to such member (or former member) for the purpose of correcting any accounting or allocation errors or satisfying such member's share of expenses or indemnification on obligations in an amount up to, but in no event in excess of, such member's capital contribution to the LLC.

Notes to Combined Financial Statements

December 31, 2010 and 2009

4. **Property and Equipment**

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 1,111	\$ 1,111
Buildings and improvements	88,713	88,713
Equipment	<u>181,856</u>	<u>186,507</u>
	271,680	276,331
Less accumulated depreciation	<u>204,335</u>	<u>192,520</u>
Net property and equipment	<u>\$ 67,345</u>	<u>\$ 83,811</u>

5. **Beneficial Interest in Trust**

The Community Foundation is the beneficiary of a trust administered by outside parties. The trust is comprised of residential lots. Under the trust's terms, the beneficiary is entitled to annual distributions over the beneficiary's lifetime equal to the lesser of the trust income or 5% of the trust's fair market value. Upon the death of the beneficiary, the trustee is to distribute all of the principal and income of the trust to the Community Foundation. The asset is recorded at its approximate present value based upon the American Council on Gift Annuity Table for Charitable Gift Annuity Rates and the current Internal Revenue Service discount rates.

6. **Transactions in Nonprofit Endowment Funds**

Transactions in nonprofit endowment funds consist of the following:

	<u>2010</u>	<u>2009</u>
Additions		
Contributions	\$ 183,927	\$ 42,322
Other income	-	82
Investment income	147,515	107,394
Net realized and unrealized gains	<u>873,519</u>	<u>1,403,730</u>
Total additions	<u>1,204,961</u>	<u>1,553,528</u>
Deductions		
Distributions	246,610	285,302
Investment expenses and other distributions	<u>33,778</u>	<u>29,318</u>
Total deductions	<u>280,388</u>	<u>314,620</u>

Notes to Combined Financial Statements

December 31, 2010 and 2009

6. **Transactions in Nonprofit Endowment Funds (cont.)**

	<u>2010</u>	<u>2009</u>
Net changes in nonprofit endowment funds	\$ 924,573	\$ 1,238,908
Balance in nonprofit endowment funds - beginning of year	<u>6,636,972</u>	<u>5,398,064</u>
Balance in nonprofit endowment funds - end of year	<u>\$ 7,561,545</u>	<u>\$ 6,636,972</u>

7. **Line of Credit**

The Care Foundation, Inc. has a \$1,000,000 unsecured line of credit with a bank with a variable interest rate currently at 4.5%. The line of credit matures in June 2011. The Care Foundation, Inc. had no outstanding balance on this line of credit at December 31, 2010 or 2009.

8. **Long-Term Debt**

Long-term debt consists of the following:

	<u>2010</u>	<u>2009</u>
Note payable to a trust, interest payable monthly at rates ranging from 7.20% to 7.60%, principal due April 2014, secured by certain investments.	\$ 435,000	\$ 435,000
Note payable to a trust, monthly payments of \$853, including fixed interest at 5.4%, final payment due April 2013, secured by certain investments.	<u>22,389</u>	<u>31,157</u>
	457,389	466,157
Less current maturities	<u>(9,253)</u>	<u>(8,768)</u>
Long-term debt, less current maturities	<u>\$ 448,136</u>	<u>\$ 457,389</u>

Annual aggregate maturities of long-term debt are as follows:

2011	\$ 9,253
2012	9,765
2013	3,371
2014	<u>435,000</u>
	<u>\$ 457,389</u>

Notes to Combined Financial Statements

December 31, 2010 and 2009

8. Long-Term Debt (cont.)

Interest expense was \$34,528 and \$34,987 for the years ended December 31, 2010 and 2009, respectively.

9. Net Assets

a. **Temporarily restricted net assets** – Temporarily restricted net assets were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Scholarships	\$ 1,499,310	\$ 1,562,104
Grants	6,546,801	5,834,151
Beneficial interest in trust	<u>293,000</u>	<u>293,000</u>
	<u>\$ 8,339,111</u>	<u>\$ 7,689,255</u>

b. **Net assets released from restrictions** – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes totaling \$1,324,561 and \$987,074 for the years ended December 31, 2010 and 2009, respectively.

c. **Permanently restricted net assets** – Permanently restricted net assets were restricted to the following:

	<u>2010</u>	<u>2009</u>
Investment in perpetuity, the income of which is expendable to support scholarships	<u>\$ 283,301</u>	<u>\$ 283,301</u>

10. Retirement Plan

The Community Foundation maintains a 401(k) Plan covering all full time employees. Employees may contribute to the plan an amount ranging from 0% - 100% of their compensation up to the maximum amount allowed by law. The Community Foundation matches 200% of employee contributions up to a maximum of 5% for full time employees who are at least 21 years of age beginning the January or July following completion of a year of service. The Community Foundation contributions charged to expense was \$27,440 and \$18,592 for the years ended December 31, 2010 and 2009, respectively.

Notes to Combined Financial Statements

December 31, 2010 and 2009

11. Endowments

The Community Foundation's endowments consist of donor-restricted endowment funds, as well as funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Community Foundation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 Community Foundation 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 Community Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Community Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Community Foundation
- (7) The investment policies of the Community Foundation

Notes to Combined Financial Statements

December 31, 2010 and 2009

11. Endowments (cont.)

Endowment net asset and activity is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Additions				
Endowment net assets at				
December 31, 2008	\$ (28,836)	\$ 5,752,209	\$ 183,301	\$ 5,906,674
Contributions	-	566,882	100,000	666,882
Distributions	-	(608,610)	-	(608,610)
Investment income, net	<u>18,176</u>	<u>1,542,544</u>	<u>-</u>	<u>1,560,720</u>
Endowment net assets at				
December 31, 2009	(10,660)	7,253,025	283,301	7,525,666
Contributions	-	439,818	-	439,818
Distributions	-	(823,354)	-	(823,354)
Investment income, net	<u>10,660</u>	<u>1,011,901</u>	<u>-</u>	<u>1,022,561</u>
Endowment net assets at				
December 31, 2010	<u>\$ -</u>	<u>\$ 7,881,390</u>	<u>\$ 283,301</u>	<u>\$ 8,164,691</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Community Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$10,660 as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred during the previous year. There were no deficiencies reported as of December 31, 2010.

Return Objectives and Risk Parameters

The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Community Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results certificates of deposit while assuming a moderate level of investment risk. The Community Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7.3% to 8.8% annually. Actual returns in any given year may vary from this amount.

Notes to Combined Financial Statements

December 31, 2010 and 2009

11. **Endowments (cont.)**

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community 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 constraints as managed by RCTS.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Annually, the Community Foundation's Board of Directors establishes a charitable disbursement rate which is based on careful consideration of the factors listed in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by Arkansas in 2009, which includes preservation of the fund, general economic conditions, inflation or deflation, and the expected total return from income and appreciation of investments. The amount available for distribution in the current year is calculated by multiplying the approved charitable disbursement rate by the trailing average of the fair value of the fund for the 12 quarters ending on June 30th of the preceding year. Except in extraordinary circumstances, no distributions, other than administrative fees, shall be made out of any fund which has a balance below the original gift value as of the spending policy determination date (June 30th of preceding year). Accordingly, over the long term, the Community Foundation expects the spending policy to allow its endowment to grow at a moderate rate. This is consistent with the Community Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

12. **Fair Value Measurements**

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.
- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain corporate debt securities and derivative contracts.

Notes to Combined Financial Statements

December 31, 2010 and 2009

12. Fair Value Measurements (cont.)

- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes long-term derivative contracts and real estate.

In accordance with ASC 820, “Fair Value Measurements and Disclosures”, the following are the major categories of assets and liabilities measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2010</u>				
Assets				
Investments	\$ 4,388	\$ 137,488,780	\$ 9,308,456	\$ 146,801,624
Short-term investments	559,239	-	-	559,239
Beneficial interest in trust	-	-	293,000	293,000
	<u>\$ 563,627</u>	<u>\$ 137,488,780</u>	<u>\$ 9,601,456</u>	<u>\$ 147,653,863</u>
Liabilities				
Nonprofit endowment funds	\$ -	\$ 7,561,545	\$ -	\$ 7,561,545
<u>December 31, 2009</u>				
Assets				
Investments	\$ 58,118	\$ 123,558,762	\$ 7,874,446	\$ 131,491,326
Short-term investments	559,052	-	-	559,052
Beneficial interest in trust	-	-	293,000	293,000
	<u>\$ 617,170</u>	<u>\$ 123,558,762</u>	<u>\$ 8,167,446</u>	<u>\$ 132,343,378</u>
Liabilities				
Nonprofit endowment funds	\$ -	\$ 6,636,972	\$ -	\$ 6,636,972

Notes to Combined Financial Statements

December 31, 2010 and 2009

12. Fair Value Measurements (cont.)

Estimated fair value measurements using significant unobservable inputs (Level 3) are as follows:

	<u>Investments</u>	<u>Beneficial Interest in Trust</u>
Balance - December 31, 2008	\$ 7,137,150	\$ 293,000
Total gains (realized and unrealized) reported as investment return in the combined statements of activities	737,296	-
Balance - December 31, 2009	7,874,446	293,000
Total gains (realized and unrealized) reported as investment return in the combined statements of activities	434,010	-
Purchases, sales, issuances and settlements (net)	1,000,000	-
Balance - December 31, 2010	\$ 9,308,456	\$ 293,000

The following carrying amount and estimated fair value of the Community Foundation's financial instruments are as follows:

	2010		2009	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets				
Cash and restricted cash	\$ 596,359	\$ 596,359	\$ 703,761	\$ 703,761
Investments	147,653,863	147,653,863	132,343,378	132,343,378
Financial liabilities				
Long-term debt	\$ 457,389	\$ 457,389	\$ 466,157	\$ 466,157

Notes to Combined Financial Statements

December 31, 2010 and 2009

12. **Fair Value Measurements (cont.)**

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

1. **Cash and restricted cash** – The carrying amount reported on the combined statements of financial position for cash approximates its fair value.
2. **Investments** – The Community Foundation's investment consist of different types of investments with different underlying methodology applied to determine fair value as follows:
 - a. **Investment in various LLC's** – The Community Foundation's primary investment consists of various LLC investments whereby the Community Foundation is a member in various series of RCTS, with each series being a separate legal LLC. The investment in the various LLC's is considered by management as a Level 2 investment as the underlying market value of the assets of each fund is determined from observable inputs as described above, and each fund maintains at least monthly liquidity.
 - b. **Money market funds and certificates of deposit** – The Community Foundation's money market accounts and certificates of deposits are valued at their carrying value due to the short-term nature of the underlying assets.
 - c. **Alternative investments** – The Community Foundation has two alternative foreign investments which consist of an investment in Arden Alternative Advisers SPC USD Series A Tanche 1 and Mesirov Absolute Return Fund Ltd D – Class S. The fair value of these alternative investments is determined by independent third parties that manage these funds using various techniques that consist of unobservable inputs or value drivers and is generally determined using expected cash flows and appropriate risk-adjusted discount rates.
3. **Long-term debt** – Carrying amounts of notes approximates fair value.

13. **Correction of Error**

Net assets for the Community Foundation as of January 1, 2009 have been restated to correct reporting of designated funds. The correction increased the investment return and changes in net assets for 2009 by \$127,758.

Notes to Combined Financial Statements

December 31, 2010 and 2009

13. Correction of Error (cont.)

The following restatement was made to net assets as of January 1, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Net assets - beginning of year, as previously reported	\$ 17,293	\$ 5,710,699	\$ 183,301	\$ 5,911,293
Reclass as designated funds	-	523,265	-	523,265
Net assets - beginning of year, as restated	\$ 17,293	\$ 6,233,964	\$ 183,301	\$ 6,434,558

14. Subsequent Events Evaluation Date

The Community Foundation evaluated the events and transactions subsequent to its December 31, 2010 combined statements of financial position date and determined there were no significant events to report through April 28, 2011, which is the date the Community Foundation issued its combined financial statements.

Independent Auditors' Report on Additional Information

Board of Directors
Northwest Arkansas Community Foundation
and Care Foundation, Inc.
Springdale, Arkansas

Our report on our audits of the combined financial statements of the Northwest Arkansas Community Foundation and the Care Foundation, Inc. for the years ended December 31, 2010 and 2009 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The additional information presented on pages 24 through 35 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

FROST, PLLC

Certified Public Accountants

Little Rock, Arkansas
April 28, 2011

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Combining Statements of Financial Position

December 31, 2010 and 2009

<u>Assets</u>	2010			
	<u>Northwest Arkansas Community Foundation</u>	<u>Care Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
Current assets				
Cash and cash equivalents	\$ 134,788	\$ 77,685	\$ -	\$ 212,473
Prepaid expenses	6,618	6,230	-	12,848
Short-term investments	358	563,269	-	563,627
Total current assets	<u>141,764</u>	<u>647,184</u>	<u>-</u>	<u>788,948</u>
Restricted cash	<u>383,886</u>	<u>-</u>	<u>-</u>	<u>383,886</u>
Property and equipment, net	<u>1,110</u>	<u>66,235</u>	<u>-</u>	<u>67,345</u>
Beneficial interest in trust	<u>293,000</u>	<u>-</u>	<u>-</u>	<u>293,000</u>
Investments	<u>15,611,999</u>	<u>131,185,237</u>	<u>-</u>	<u>146,797,236</u>
Total assets	<u>\$ 16,431,759</u>	<u>\$ 131,898,656</u>	<u>\$ -</u>	<u>\$ 148,330,415</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Grants payable	\$ 17,206	\$ 250,000	\$ -	\$ 267,206
Accounts payable	443	2,692	-	3,135
Accrued expenses	-	11,236	-	11,236
Current maturities of long-term debt	-	9,253	-	9,253
Total current liabilities	<u>17,649</u>	<u>273,181</u>	<u>-</u>	<u>290,830</u>
Long-term debt, less current maturities	<u>-</u>	<u>448,136</u>	<u>-</u>	<u>448,136</u>
Agency endowment funds	<u>7,561,545</u>	<u>-</u>	<u>-</u>	<u>7,561,545</u>
Net assets				
Unrestricted	230,153	131,177,339	-	131,407,492
Temporarily restricted	8,339,111	-	-	8,339,111
Permanently restricted	283,301	-	-	283,301
Total net assets	<u>8,852,565</u>	<u>131,177,339</u>	<u>-</u>	<u>140,029,904</u>
Total liabilities and net assets	<u>\$ 16,431,759</u>	<u>\$ 131,898,656</u>	<u>\$ -</u>	<u>\$ 148,330,415</u>

2009			
Northwest Arkansas Community Foundation	Care Foundation, Inc.	Eliminations	Combined
\$ 63,489	\$ 262,673	\$ -	\$ 326,162
1,190	22,164	-	23,354
-	617,170	-	617,170
<u>64,679</u>	<u>902,007</u>	<u>-</u>	<u>966,686</u>
<u>377,599</u>	<u>-</u>	<u>-</u>	<u>377,599</u>
<u>1,110</u>	<u>82,701</u>	<u>-</u>	<u>83,811</u>
<u>293,000</u>	<u>-</u>	<u>-</u>	<u>293,000</u>
<u>14,096,905</u>	<u>131,433,208</u>	<u>(14,096,905)</u>	<u>131,433,208</u>
<u>\$ 14,833,293</u>	<u>\$ 132,417,916</u>	<u>\$ (14,096,905)</u>	<u>\$ 133,154,304</u>
\$ 69,926	\$ 474,250	\$ -	\$ 544,176
402	3,804	-	4,206
20,778	32,923	-	53,701
-	8,768	-	8,768
<u>91,106</u>	<u>519,745</u>	<u>-</u>	<u>610,851</u>
<u>-</u>	<u>457,389</u>	<u>-</u>	<u>457,389</u>
<u>6,636,972</u>	<u>14,096,905</u>	<u>(14,096,905)</u>	<u>6,636,972</u>
<u>132,659</u>	<u>117,343,877</u>	<u>-</u>	<u>117,476,536</u>
<u>7,689,255</u>	<u>-</u>	<u>-</u>	<u>7,689,255</u>
<u>283,301</u>	<u>-</u>	<u>-</u>	<u>283,301</u>
<u>8,105,215</u>	<u>117,343,877</u>	<u>-</u>	<u>125,449,092</u>
<u>\$ 14,833,293</u>	<u>\$ 132,417,916</u>	<u>\$ (14,096,905)</u>	<u>\$ 133,154,304</u>

See independent auditors' report on additional information.

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Combining Statement of Activities

For the Year Ended December 31, 2010

	Northwest Arkansas Community Foundation			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 2,601	\$ 912,608	\$ -	\$ 915,209
Investment return, net	17,651	1,061,809	-	1,079,460
Support from the Care Foundation, Inc.	225,195	-	-	225,195
Other income	45,315	-	-	45,315
	<u>290,762</u>	<u>1,974,417</u>	<u>-</u>	<u>2,265,179</u>
Net assets released from restrictions	<u>1,324,561</u>	<u>(1,324,561)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,615,323</u>	<u>649,856</u>	<u>-</u>	<u>2,265,179</u>
Expenses				
Program	1,227,870	-	-	1,227,870
Management and general	289,959	-	-	289,959
Total expenses	<u>1,517,829</u>	<u>-</u>	<u>-</u>	<u>1,517,829</u>
Changes in net assets	97,494	649,856	-	747,350
Net assets - beginning of year	<u>132,659</u>	<u>7,689,255</u>	<u>283,301</u>	<u>8,105,215</u>
Net assets - end of year	<u>\$ 230,153</u>	<u>\$ 8,339,111</u>	<u>\$ 283,301</u>	<u>\$ 8,852,565</u>

Care Foundation, Inc.					
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 915,209
17,305,093	-	-	17,305,093	-	18,384,553
-	-	-	-	(225,195)	-
45,325	-	-	45,325	-	90,640
17,350,418	-	-	17,350,418	(225,195)	19,390,402
-	-	-	-	-	-
17,350,418	-	-	17,350,418	(225,195)	19,390,402
2,934,941	-	-	2,934,941	(225,195)	3,937,616
582,015	-	-	582,015	-	871,974
3,516,956	-	-	3,516,956	(225,195)	4,809,590
13,833,462	-	-	13,833,462	-	14,580,812
117,343,877	-	-	117,343,877	-	125,449,092
<u>\$ 131,177,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,177,339</u>	<u>\$ -</u>	<u>\$ 140,029,904</u>

See independent auditors' report on additional information.

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Combining Statement of Activities

For the Year Ended December 31, 2009

	Northwest Arkansas Community Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	\$ 37,310	\$ 897,783	\$ 100,000	\$ 1,035,093
Investment return, net	69,360	1,544,582	-	1,613,942
Support from the Care Foundation, Inc.	240,633	-	-	240,633
Other income	46,128	-	-	46,128
	393,431	2,442,365	100,000	2,935,796
Net assets released from restrictions	987,074	(987,074)	-	-
Total revenues, gains and other support	1,380,505	1,455,291	100,000	2,935,796
Expenses				
Program	1,024,506	-	-	1,024,506
Management and general	240,633	-	-	240,633
Total expenses	1,265,139	-	-	1,265,139
Changes in net assets	115,366	1,455,291	100,000	1,670,657
Net assets - beginning of year, as restated (Note 13)	17,293	6,233,964	183,301	6,434,558
Net assets - end of year	\$ 132,659	\$ 7,689,255	\$ 283,301	\$ 8,105,215

Care Foundation, Inc.					
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,035,093
25,735,885	-	-	25,735,885	-	27,349,827
-	-	-	-	(240,633)	-
43,046	-	-	43,046	-	89,174
25,778,931	-	-	25,778,931	(240,633)	28,474,094
-	-	-	-	-	-
25,778,931	-	-	25,778,931	(240,633)	28,474,094
3,966,721	-	-	3,966,721	(240,633)	4,750,594
646,370	-	-	646,370	-	887,003
4,613,091	-	-	4,613,091	(240,633)	5,637,597
21,165,840	-	-	21,165,840	-	22,836,497
96,178,037	-	-	96,178,037	-	102,612,595
<u>\$ 117,343,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,343,877</u>	<u>\$ -</u>	<u>\$ 125,449,092</u>

See independent auditors' report on additional information.

**NORTHWEST ARKANSAS COMMUNITY FOUNDATION
AND CARE FOUNDATION, INC.**

Combining Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	2010			
	<u>Northwest Arkansas Community Foundation</u>	<u>Care Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
Cash flows from operating activities				
Changes in net assets	\$ 747,350	\$ 13,833,462	\$ -	\$ 14,580,812
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities				
Depreciation	-	23,678	-	23,678
Loss on disposal of equipment	-	832	-	832
Agency endowment funds gains and deposits	1,220,765	-	-	1,220,765
Agency endowment funds distributed	(296,192)	-	-	(296,192)
Net investment return	(1,515,095)	(17,848,934)	-	(19,364,029)
Changes in operating assets and liabilities				
Receivables	-	-	-	-
Prepaid expenses	(5,428)	15,934	-	10,506
Accrued expenses	(20,778)	(21,687)	-	(42,465)
Accounts payable	41	(1,112)	-	(1,071)
Grants payable	(52,720)	(224,250)	-	(276,970)
Net cash provided (used) by operating activities	<u>77,943</u>	<u>(4,222,077)</u>	<u>-</u>	<u>(4,144,134)</u>
Cash flows from investing activities				
Net change in restricted cash	(6,287)	-	-	(6,287)
Proceeds from sale of investments - distributions	-	5,000,000	-	5,000,000
Proceeds from sale of investments - rebalancing	-	-	-	-
Purchases of investments	-	(1,000,000)	-	(1,000,000)
Decrease in escrow accounts	(357)	53,901	-	53,544
Purchases of equipment	-	(8,044)	-	(8,044)
Net cash provided (used) by investing activities	<u>(6,644)</u>	<u>4,045,857</u>	<u>-</u>	<u>4,039,213</u>
Cash flows from financing activities				
Principal payments on long-term debt	-	(8,768)	-	(8,768)
Net cash used by financing activities	<u>-</u>	<u>(8,768)</u>	<u>-</u>	<u>(8,768)</u>
Net increase (decrease) in cash and cash equivalents	71,299	(184,988)	-	(113,689)
Cash and cash equivalents - beginning of year	<u>63,489</u>	<u>262,673</u>	<u>-</u>	<u>326,162</u>
Cash and cash equivalents - end of year	<u>\$ 134,788</u>	<u>\$ 77,685</u>	<u>\$ -</u>	<u>\$ 212,473</u>
<u>Supplementary disclosure of cash flow information</u>				
Cash paid during the year for interest	\$ -	\$ 34,528	\$ -	\$ 34,528

2009			
Northwest Arkansas Community Foundation	Care Foundation, Inc.	Eliminations	Combined
\$ 1,670,657	\$ 21,165,840	\$ -	\$ 22,836,497
-	21,197	-	21,197
-	-	-	-
1,512,652	-	-	1,512,652
(273,744)	-	-	(273,744)
(3,194,077)	(24,665,824)	-	(27,859,901)
700	-	-	700
3,995	(2,758)	-	1,237
(23,186)	2,219	-	(20,967)
(16,385)	(2,966)	-	(19,351)
1,426	260,750	-	262,176
(317,962)	(3,221,542)	-	(3,539,504)
(377,599)	-	-	(377,599)
646,673	3,944,327	-	4,591,000
2,671,883	22,318,836	-	24,990,719
(2,671,883)	(23,226,397)	-	(25,898,280)
-	175,629	-	175,629
(1,110)	(12,918)	-	(14,028)
267,964	3,199,477	-	3,467,441
-	(8,308)	-	(8,308)
-	(8,308)	-	(8,308)
(49,998)	(30,373)	-	(80,371)
113,487	293,046	-	406,533
<u>\$ 63,489</u>	<u>\$ 262,673</u>	<u>\$ -</u>	<u>\$ 326,162</u>
\$ -	\$ 34,987	\$ -	\$ 34,987

See independent auditors' report on additional information.

NORTHWEST ARKANSAS COMMUNITY FOUNDATION

Statement of Grants

For the Year Ended December 31, 2010

	Number of Grants	Payable Balance <u>12/31/2009</u>	Current Year Activity		
			Authorized During <u>CY 2010</u>	Payments Made in <u>CY 2010</u>	Payable Balance <u>12/31/2010</u>
Donor advised funds					
American Heart Association	1	\$ -	\$ 300	\$ 300	\$ -
Ark Leadership Seminar, Inc.	1	-	1,000	1,000	-
Artists of Northwest Arkansas	1	-	1,000	1,000	-
Arts Center of the Ozarks	2	-	3,000	3,000	-
Benton County Sunshine School, Inc.	1	-	2,500	2,500	-
Bentonville Public School Foundation, Inc.	1	-	1,000	1,000	-
Bentonville Youth Softball League	1	-	500	500	-
Boys/Girls Club of Siloam Springs	1	-	4,000	4,000	-
Circle of Life	1	-	300	300	-
Fellowship Bible Church	1	-	21,143	21,143	-
First Baptist Church	1	-	21,000	21,000	-
First United Methodist Church of Springdale	3	-	51,350	51,350	-
Grace Episcopal Church	6	-	54,200	54,200	-
John Brown University	1	-	10,000	10,000	-
Jones Center for Families	1	-	500	500	-
Miracle League	1	-	5,000	5,000	-
The New School	2	-	2,500	2,500	-
NWA Children's Shelter	2	-	10,500	10,500	-
Rogers Recreation Association	1	-	500	500	-
Rogers Youth Baseball	1	-	500	500	-
Single Parent Scholarship of Northwest Arkansas	1	-	5,000	5,000	-

See independent auditors' report on additional information.

NORTHWEST ARKANSAS COMMUNITY FOUNDATION

Statement of Grants (cont.)

For the Year Ended December 31, 2010

	Number of Grants	Payable Balance 12/31/2009	Current Year Activity		
			Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010
Donor advised funds (cont.)					
Son Evangelist Missions Ministries	1	\$ -	\$ 250	\$ 250	\$ -
Springdale School District	1	-	100,000	100,000	-
Titus Task	1	-	31,226	31,226	-
UA Foundation	2	-	15,000	15,000	-
United Way of Northwest Arkansas	2	-	4,000	4,000	-
Walton Arts Center	3	-	17,700	17,700	-
Total donor advised funds	41	-	363,969	363,969	-
Advised funds					
Seven Hills Homeless Center	1	-	2,500	2,500	-
Bentonville School District	1	-	1,638	1,638	-
Bentonville Church of Christ	1	-	7,000	7,000	-
Ozark Guidance Foundation	4	-	130,000	130,000	-
Schmieding Center for Senior Health	1	-	(8,275)	(8,275)	-
Community Clinic at St. Francis House	1	-	100,000	100,000	-
Elkins School District	1	-	110	110	-
Faith in Action (WRMC Foundation)	1	-	2,500	2,500	-
Farmington School District	1	-	160	160	-
Fayetteville School District	1	-	1,333	1,333	-
First United Methodist Church of Springdale	1	-	5,000	5,000	-

See independent auditors' report on additional information.

NORTHWEST ARKANSAS COMMUNITY FOUNDATION

Statement of Grants (cont.)

For the Year Ended December 31, 2010

	Number of Grants	Payable Balance 12/31/2009	Current Year Activity		
			Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010
Advised funds (cont.)					
Gravette School District-Duffy Elementary School	1	\$ -	\$ 260	\$ 260	\$ -
Greenland School District	1	-	165	165	-
Har-Ber Village Museum	1	-	130,000	130,000	-
Huntsville School District	1	-	75	75	-
Lincoln Public Schools	1	-	65	65	-
National Christian Foundation	1	-	28,080	28,080	-
Prairie Grove School District	1	-	77	77	-
Rogers School District	2	-	2,250	2,250	-
Siloam Springs School District	1	-	61	61	-
Springdale School District	3	-	36,650	36,650	-
United Way of Northwest Arkansas	2	-	13,011	13,011	-
West Fork School District	1	-	105	105	-
Total advised funds	30	-	452,765	452,765	-
Field of interest funds					
Kids First Auxiliary, Lowell Chapter	1	-	3,000	3,000	-
NWA Council	3	-	255,303	255,303	-
Youth Character Development Foundation	1	-	500	500	-
Total field of interest funds	5	-	258,803	258,803	-

See independent auditors' report on additional information.

NORTHWEST ARKANSAS COMMUNITY FOUNDATION

Statement of Grants (cont.)

For the Year Ended December 31, 2010

	Number of Grants	Payable Balance 12/31/2009	Current Year Activity		
			Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010
Scholarship funds					
Central Baptist College	1	\$ -	\$ 1,000	\$ 1,000	\$ -
North Arkansas College	3	800	2,430	3,230	-
Northeastern Oklahoma A & M	1	-	430	430	-
Northwest Arkansas Community College	11	11,326	28,413	29,533	10,206
University of Arkansas - Academic Scholarships	1	7,000	14,000	14,000	7,000
University of Arkansas - Treasurer's Office	10	-	11,430	11,430	-
University of Arkansas at Fort Smith	1	-	1,000	1,000	-
University of Arkansas Foundation	1	-	22,756	22,756	-
UAMS Student Financial Aid Office	1	800	1,000	1,800	-
University of Central Arkansas	2	-	2,000	2,000	-
University of the Ozarks	2	-	6,000	6,000	-
Total scholarship funds	34	19,926	90,459	93,179	17,206
Designated funds					
Adult Development Center of Benton County, Inc.	1	-	591	591	-
Arts Center of the Ozarks	1	-	4,190	4,190	-
Bella Vista Village Courtesy Transportation	1	-	659	659	-
Circle of Life	1	-	21,121	21,121	-
Charity Challenge Foundation (Crisis Center)	1	-	1,267	1,267	-
Life Styles, Inc.	1	-	580	580	-

See independent auditors' report on additional information.

NORTHWEST ARKANSAS COMMUNITY FOUNDATION

Statement of Grants (cont.)

For the Year Ended December 31, 2010

	Number of Grants	Payable Balance 12/31/2009	Current Year Activity			
			Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010	
Designated funds (cont.)						
Mashburn Scholarship Foundation	1	\$ -	\$ 2,741	\$ 2,741	\$ -	
The New School	1	-	1,585	1,585	-	
Rogers School District	1	-	200	200	-	
Single Parent Scholarship Fund of Benton County	2	-	1,204	1,204	-	
Tahlequah Public Schools	1	-	500	500	-	
Village Art Club, Inc.	2	-	626	626	-	
Total designated funds	14	-	35,264	35,264	-	
Unrestricted funds						
UA Foundation	-	50,000	-	50,000	-	
	124	\$ 69,926	\$ 1,201,260	\$ 1,253,980	\$ 17,206	

See independent auditors' report on additional information.

CARE FOUNDATION, INC.

Statement of Grants

For the Year Ended December 31, 2010

	Status of Grants at Beginning of Year			Current Year Activity			Grant Refunds CY 2010
	Fiscal Year Approved	Authorized Amount	Payable Balance 12/31/2009	Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010	
Education initiative							
Early childhood education							
Pre-K services for high poverty children							
Decatur School District	2010	\$ -	\$ -	\$ 75,000	\$ 75,000	\$ -	\$ -
Gravette School District	2010	-	-	105,000	105,000	-	-
Huntsville School District	2010	-	-	75,000	75,000	-	-
Siloam Springs School District	2010	-	-	140,000	140,000	-	-
Total early childhood education		-	-	395,000	395,000	-	-
Extended learning							
Opportunities created through school day/year extension and expanded curriculum							
Siloam Springs School District	2009	-	-	-	-	-	5,618
Springdale School District	2010	-	-	170,000	170,000	-	2,983
Total extended learning		-	-	170,000	170,000	-	8,601
Increasing high school graduation							
Provide students with multiple ways to earn high school diploma							
Bentonville School District	2010	-	-	141,000	141,000	-	-
Northwest Arkansas Community College	2009	-	-	-	-	-	17,359
Springdale School District	2010	-	-	45,000	45,000	-	2,847
Total increasing high school graduation		-	-	186,000	186,000	-	20,206

See independent auditors' report on additional information.

CARE FOUNDATION, INC.

Statement of Grants (cont.)

For the Year Ended December 31, 2010

	Status of Grants at Beginning of Year			Current Year Activity			
	Fiscal Year Approved	Authorized Amount	Payable Balance 12/31/2009	Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010	Grant Refunds CY 2010
Education initiative (cont.)							
International baccalaureate							
Academically challenges students and prepares global citizens							
Springdale School District	2010	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -
Total education initiative		-	-	851,000	851,000	-	28,807
Health initiative							
Aging							
Coordinated services for the elderly							
Caregiving, Health & Education for Seniors, Inc.	2010	-	-	450,000	450,000	-	-
Prevention of chronic disease: nutrition							
Inspire and equip children to choose good nutrition and physical activity							
The Communication Arts Institute	2009	120,000	30,000	-	30,000	-	-
PE4Life	2010	-	-	177,000	177,000	-	-
Total prevention of chronic disease: nutrition		120,000	30,000	177,000	207,000	-	-
School-based prevention and early intervention							
School-based mental health services							
Ozark Guidance, Inc.	2009	277,000	69,250	40,000	109,250	-	10,548
Total health initiative		397,000	99,250	667,000	766,250	-	10,548

See independent auditors' report on additional information.

CARE FOUNDATION, INC.

Statement of Grants (cont.)

For the Year Ended December 31, 2010

	Status of Grants at Beginning of Year			Current Year Activity			
	Fiscal Year Approved	Authorized Amount	Payable Balance 12/31/2009	Authorized During CY 2010	Payments Made in CY 2010	Payable Balance 12/31/2010	Grant Refunds CY 2010
Other							
Immigration							
Adult education and language acquisition							
Dogwood Literacy Council, Inc.	2010	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ -
Springdale School District	2010	-	-	30,000	30,000	-	-
Hispanic Women's Organization of Arkansas	2010	-	-	55,000	55,000	-	-
Total immigration		-	-	135,000	135,000	-	-
Institutional investments							
Maintain viability of targeted organization							
Community Clinic at St. Francis House	2010	-	-	200,000	200,000	-	-
Jones Center for Families	2010	-	-	500,000	500,000	-	-
Total institutional investments		-	-	700,000	700,000	-	-
Board discretionary							
Healthcare Delivery Pilot							
UAMS - AHEC - NW							
NW Arkansas satellite campus development							
UAMS	2009	500,000	375,000	-	125,000	250,000	-
Total board discretionary		500,000	375,000	-	125,000	250,000	4,176
Total other		500,000	375,000	835,000	960,000	250,000	4,176
Total grants		\$ 897,000	\$ 474,250	\$ 2,353,000	\$ 2,577,250	\$ 250,000	\$ 43,531

See independent auditors' report on additional information.