

AUDITED COMBINED FINANCIAL STATEMENTS

WACCAMAW COMMUNITY FOUNDATION, INC.

Years Ended December 31, 2009 and 2008

WACCAMAW COMMUNITY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Waccamaw Community Foundation, Inc.
Murrells Inlet, South Carolina

We have audited the accompanying combined statement of financial position of Waccamaw Community Foundation, Inc. (a nonprofit organization) and its affiliate as of December 31, 2009, and the related combined statement of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Waccamaw Community Foundation, Inc. as of December 31, 2008, were audited by other auditors whose report dated December 28, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

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



Myrtle Beach, South Carolina
April 9, 2011

WACCAMAW COMMUNITY FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets		
Cash & cash equivalents	\$ 4,832	\$ 3,006
Promises receivable (net of discount)	-	9,259
Short-term investments	<u>785,639</u>	<u>1,053,879</u>
Total current assets	790,471	1,066,144
Noncurrent Assets		
Long-term investments	13,373,107	10,868,215
Real estate held for investment	1,700,000	1,799,000
Assets held in charitable remainder trusts	427,635	363,845
Fixed assets (net of depreciation)	<u>465,586</u>	<u>472,574</u>
Total noncurrent assets	<u>15,966,328</u>	<u>13,503,634</u>
Total Assets	<u>\$ 16,756,799</u>	<u>\$ 14,569,778</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 8,702	\$ 11,711
Grants payable	14,500	31,100
Leases payable	-	1,321
Total current liabilities	<u>23,202</u>	<u>44,132</u>
Noncurrent Liabilities		
Agency payables	2,696,319	2,230,796
Liabilities under charitable remainder trusts	382,364	327,492
Exchange liabilities	<u>466,786</u>	<u>490,773</u>
Total noncurrent liabilities	3,545,469	3,049,061
Total liabilities	3,568,671	3,093,193
Net Assets		
Unrestricted	5,045,817	3,574,286
Temporarily restricted	239,995	217,869
Permanently restricted	<u>7,902,316</u>	<u>7,684,430</u>
Total net assets	<u>13,188,128</u>	<u>11,476,585</u>
Total liabilities and net assets	<u>\$ 16,756,799</u>	<u>\$ 14,569,778</u>

See accompanying notes and auditors' report.

WACCAMAW COMMUNITY FOUNDATION, INC.
COMBINED STATEMENTS OF ACTIVITIES
Years Ended December 31, 1009 and 2008

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, gains & other support					
Contributions	\$ 908,571	\$ 39,923	\$ 217,886	\$ 1,166,380	\$ 1,682,828
Interest & dividend income	363,094	49,627	-	412,721	525,715
Net (depreciation) appreciation in fair value of investments	1,914,642	24,146	-	1,938,788	(4,188,635)
Change in value of split-interest agreements	23,987	8,917	-	32,904	129
Administrative fee income	211,026	-	-	211,026	268,487
Other income	51,010	-	-	51,010	9,200
Net assets released from restrictions	100,487	(100,487)	-	-	-
Total revenue, gains, & other support	<u>3,572,817</u>	<u>22,126</u>	<u>217,886</u>	<u>3,812,829</u>	<u>(1,702,276)</u>
Expenses					
Grants and program	1,552,249	-	-	1,552,249	1,665,027
General & administrative	483,879	-	-	483,879	620,197
Fundraising	65,158	-	-	65,158	131,296
Total expenses	<u>2,101,286</u>	<u>-</u>	<u>-</u>	<u>2,101,286</u>	<u>2,416,520</u>
Increase (decrease) in net assets	1,471,531	22,126	217,886	1,711,543	(4,118,796)
Net assets, beginning of year	3,574,286	217,869	7,684,430	11,476,585	15,595,381
Net assets, end of year	<u>\$ 5,045,817</u>	<u>\$ 239,995</u>	<u>\$ 7,902,316</u>	<u>\$ 13,188,128</u>	<u>\$ 11,476,585</u>

See accompanying notes and auditors' report.

WACCAMAW COMMUNITY FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows provided by operating activities		
Increase (decrease) in net assets	\$ 1,711,543	\$ (4,118,796)
Adjustments to reconcile increase (decrease) in net assets net cash flows provided by operating activities:		
Depreciation expense	6,988	8,295
Loss on disposal of real estate held for investment	56,500	-
Net (appreciation) depreciation in fair value of investments	(1,995,288)	4,188,635
Noncash contributions	(41,206)	(138,229)
Decrease in promises receivable	9,259	8,574
(Increase) decrease in assets held in charitable remainder trusts	(63,789)	213,903
Increase (decrease) in accounts payable	(3,009)	5,471
Increase (decrease) in grants payable	(16,600)	25,100
Increase (decrease) in leases payable	(1,321)	(1,382)
Increase (decrease) in agency payables	465,523	(926,680)
Increase (decrease) in liabilities under charitable remainder trusts	54,872	(189,858)
(Decrease) in exchange liabilities	(23,987)	(24,174)
Contributions restricted for investment in endowments	<u>(217,886)</u>	<u>(292,695)</u>
Net cash flows (used) by operating activities	(58,401)	(1,241,836)
Cash flows used by investing activities		
Proceeds from sale of real estate held for investment	42,500	-
Purchases of investments	(3,443,233)	(6,207,201)
Proceeds from sales of investments	<u>3,243,074</u>	<u>7,124,334</u>
Net cash flows (used) provided by investing activities	(157,659)	917,133
Cash flows provided by financing activities		
Collections of contributions restricted for investment in endowments	<u>217,886</u>	<u>292,695</u>
Net increase (decrease) in cash	1,826	(32,008)
Cash & cash equivalents, beginning of year	<u>3,006</u>	<u>35,014</u>
Cash & cash equivalents, end of year	<u>\$ 4,832</u>	<u>\$ 3,006</u>
Supplemental disclosure of noncash transactions		
Gift of securities held for investment	<u>\$ 41,206</u>	<u>\$ 138,229</u>

See accompanying notes and auditors' report.

**WACCAMAW COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2009 and 2008**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Waccamaw Community Foundation, Inc. (the Foundation) is a nonprofit organization which was organized in the state of South Carolina on February 11, 1999 for the purpose of soliciting, receiving, managing, and distributing resources to encourage the development of community tradition of philanthropy by establishing permanent and temporary funds in support of nonprofit organizations. It's affiliate, Waccamaw Community Foundation Land Trust (the Land Trust) is a nonprofit organization formed on February 7, 2003, as a supporting organization of the Foundation to specifically receive, hold title to, sell, lease, and otherwise manage real estate and easements in order to promote the conservation of South Carolina's natural landscape.

Basis of Combination

The combined financial statements include the accounts of Waccamaw Community Foundation, Inc. and Waccamaw Community Foundation Land Trust, which are related through common control. All intercompany transactions have been eliminated in the combined financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The combined financial statements included the assets, net assets, and financial activities of the Foundation prepared in accordance with Statement of Financial Accounting Standards No. 117 (SFAS 117). This statement requires that the Foundation report 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of furniture, fixtures, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of these donor restrictions when the acquired long-lived assets are placed in service.

Fixed Assets

The Foundation's policy is to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over their useful lives using the straight-line method. Depreciation expense for the years ended December 31, 2009 and 2008 were \$6,988 and \$8,295, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and highly liquid investment accounts with maturities of three (3) months or less. Money market funds held by investment managers as part of an investment portfolio and certificate of deposit with original maturities or more than three months are classified as short-term investments.

WACCAMAW COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2009 and 2008

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents (continued)

As of October 2008, the federal depository insurance limit was increased to \$250,000. To limit risk, the Association considers the financial condition of the institution in which cash and cash equivalents are deposited.

Contributions and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existing and/or nature of any donor 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 donated assets. When a donor restriction expires, such as, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are received and for which donor restrictions expire in the same period are recorded as unrestricted support.

Unconditional promises to give with payment due in future years are recorded as revenue in the year pledged. Conditional pledges are recognized as revenue in the period in which the conditional restrictions expire.

Investments

Investments are composed of debt and equity securities carried at fair value. Fair value of securities is determined by quoted market price. Unrealized gains and losses are included in the net gain or loss on investments in the statement of activities.

Income Taxes

The Foundation and the Land Trust are exempt from federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organizations have also been classified as entities that are not private foundations within the meaning of Section 509(a) of the Internal Revenue Code.

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

2. COMMITMENTS AND CONTINGENCIES

The Foundation and Land Trust operations include the preservation of real property through a conservation easement program. Under the conservation easement program, the Foundation and Land Trust commit themselves to perpetual stewardship of the easement properties, including regular monitoring of their easements, maintaining contact and educating easement property owners of the easement restrictions, and enforcing easement requirements when they are violated. By providing the conservation easement program, the Land Trust is able to provide the gifting donor a potential tax benefit for their conservation easement donation. Currently, the Land Trust holds title to two conservation easements to maintain the properties in a scenic and open space condition for conservation purposes and to prevent any use of the protected property that will significantly impair or interfere with the conservation values, the wildlife habitat, or the natural resources and the associated ecosystems.

WACCAMAW COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2009 and 2008

3. LEASES

The Foundation leases certain equipment under monthly operating leases. Rent expense for the years ended December 31, 2009 and 2008 were \$4,000.

4. CONDITIONAL PROMISES TO GIVE

At December 31, 2009 and 2008, the Foundation maintains conditional promises to give aggregating approximately \$278,284 in pledges/grants and \$3.61 million in bequests. These potential contributions, if received, would generate unrestricted and restricted funds for specific purposes stipulated by the donor.

5. INVESTMENTS

Investments, as shown on the combined statement of financial position at December 31, 2009 and 2008, consist of the following:

	<u>2009</u>	<u>2008</u>
Short-term investments:		
Money market funds	\$ 775,526	\$ 1,053,879
Mutual funds	10,113	-
	<u>\$ 785,639</u>	<u>\$ 1,053,879</u>
Long-term investments:		
Mutual funds	\$ 7,065,002	\$ 5,379,796
Common stock	6,308,105	5,488,419
Total long-term investments	<u>\$ 13,373,107</u>	<u>\$ 10,868,215</u>
Assets held in charitable remainder trusts:		
Money market funds	\$ 2,161	\$ 704
Mutual funds-equity funds	127,063	107,755
Variable annuities invested in:		
Mutual funds-mixed equity & bond funds	298,411	255,386
Total assets held in charitable remainder trusts	<u>\$ 427,635</u>	<u>\$ 363,845</u>
Total investments by type:		
Money market funds	\$ 777,687	\$ 1,054,583
Mutual funds	7,202,178	5,487,551
Common stock	6,308,105	5,488,419
Variable annuities	298,411	255,386
Total investments by type	<u>\$ 14,586,381</u>	<u>\$ 12,285,939</u>

Investment balances are restricted to the extent of temporarily restricted net assets and permanently restricted net assets totaling \$8,142,311 and \$7,902,299 for the years ended December 31, 2009 and 2008, respectively.

WACCAMAW COMMUNITY FOUNDATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 Years Ended December 31, 2009 and 2008

6. FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active market for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair-value hierarchy are described as below:

- Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities 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, or
- Level 3: Unobservable inputs that are supported by little or no market activity and that reflect the Foundation's own assumptions about market prices.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820-10.

In determining fair value, the Foundation uses the following valuation approach with the FASB ASC 820-10 fair value measurement framework and the classification with the hierarchy:

Equities: Equity securities and equity mutual funds listed on the national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy for the year ended December 31, 2009.

Type	Total Fair Value	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
Money market	\$ 777,687	\$ 777,687	\$ -	\$ -
Mutual funds	7,202,178	7,202,178	-	-
Common stock	6,308,105	6,308,105	-	-
Variable annuities	298,411	298,411	-	-
	\$ <u>14,586,381</u>	\$ <u>14,586,381</u>	\$ <u>-</u>	\$ <u>-</u>

7. REAL ESTATE HELD FOR INVESTMENT

Real estate held for investment purposes is property contributed to the Foundation, recorded on the books of the Foundation at its estimated fair value at the date of contribution. During the year ended December 31, 2009, the Foundation sold a piece of property for \$42,500 which had a basis in the financial statements of \$99,000. At December 31, 2009 and 2008, total real estate held for investment amounted to \$1,700,000 and \$1,799,000, respectively.

WACCAMAW COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2009 and 2008

8. CHARITABLE REMAINDER TRUSTS

Two donors have established charitable remainder trusts naming the Foundation as trustee. Charitable remainder trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are to be available for the Foundation's use, subject to donor-imposed restrictions, or to be transferred to unaffiliated beneficiaries as outlined in the trust agreements. Assets held in charitable remainder trusts at December 31, 2009 and 2008 totaled \$427,635 and \$363,845, respectively, and are reported at fair value in the combined statement of financial condition. Changes in fair value of charitable remainder trusts are reflected in temporarily restricted net assets in the combined statement of activities. On an annual basis, the Foundation reviews the need to revalue the liability based on actuarial assumptions. The present value of the estimated future payments at December 31, 2009 and 2008 is \$382,364 and \$327,492, respectively, using a discount rate ranging from 0% to 8% and applicable mortality tables.

9. FIXED ASSETS

Fixed assets at December 31, 2009 and 2008, consists of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 300,000	\$ 300,000
Building	175,000	175,000
Office furniture and equipment	<u>17,282</u>	<u>17,282</u>
	492,282	492,282
Less accumulated depreciation	<u>26,696</u>	<u>19,708</u>
	<u>\$ 465,586</u>	<u>\$ 472,574</u>

10. EXCHANGE LIABILITIES

During the year ended December 31, 2006, a personal residence valued at \$1,700,000 was contributed to the Foundation. The donor retained the lifetime rights to live in the home. The liability related to the lifetime rights was estimated to be \$466,786 and \$490,773 at December 31, 2009 and 2008, respectively.

11. AGENCY PAYABLES

The Foundation, acting as an agent, periodically accepts cash and other financial assets from donors' under agreements whereby it agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to a specified unaffiliated beneficiary. As of December 31, 2009 and 2008, The Foundation had agency payables to unaffiliated nonprofit organizations of \$2,696,319 and \$2,230,796, respectively.

WACCAMAW COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2009 and 2008

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Split-interest agreements	\$ 65,206	\$ 56,289
Mission aid	3,092	20,072
Scholarships	115,816	94,236
Charitable purposes	41,344	35,935
Freedom For Kids Playground	<u>14,537</u>	<u>11,337</u>
Total temporarily restricted net assets	<u>\$ 239,995</u>	<u>\$ 217,869</u>

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2009 and 2008 are restricted to investment in perpetuity, the income from which is expendable to support the following:

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 184,774	\$ 132,149
Mission aid	221,205	219,630
Humane society	12,530	12,530
Charitable purposes	<u>7,483,807</u>	<u>7,320,121</u>
Total permanently restricted net assets	<u>\$ 7,902,316</u>	<u>\$ 7,684,430</u>

14. RELEASE OF DONOR RESTRICTIONS

During the years ended December 31, 2009 and 2008, temporarily restricted net assets were released from restrictions for the following purposes:

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 24,554	\$ 82,798
Mission aid	35,000	7,000
Arts	-	44,000
Charitable purposes	16,702	14,495
Purpose restriction released by donor	<u>24,231</u>	<u>28,644</u>
Total net assets released from restrictions	<u>\$ 100,487</u>	<u>\$ 176,937</u>

15. ENDOWMENT FUNDS

The Foundation's endowment funds were established primarily to support nonprofit organizations' charitable purposes in the local community. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor restrictions.

WACCAMAW COMMUNITY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2009 and 2008

15. ENDOWMENT FUNDS (Continued)

The Foundation's Board of Directors has interpreted the South Carolina enacted version of UPMIFA (SCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA.

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

- The duration and preservation of the endowment fund
- The purposes of the foundation and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

Appropriations from the endowment fund are approved by the Foundation's Board.

The overall, long-term investment goal of the Foundation is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending, thus protecting the purchasing power of the assets. The Board's Finance and Investment Committee agree that investing in securities with higher return expectations outweighs their short-term volatility risk. The volatility (beta) is expected to be no greater than 1.20 versus the relevant Policy Benchmark.

The spending policy attempts to balance the long-term objective of maintaining the purchasing power of the foundation with the goal of providing a sustainable level of spending. Spending is based on the following:

- The amount available for spending on grants and program expenses will be 5% of the 12 quarter rolling average of the market value of the foundation pool.
- The donors will not be able to spend any earnings until the fund has been with the Foundation for one calendar year.
- The amount calculated as available for spending shall be called spendable balance. Any spendable balance that is not spent at the end of the year, remains in the spendable balance and is carried over and available for spending in subsequent years.
- The spendable balance may be drawn from both ordinary income earned and appreciation, both earned and unearned.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 9, 2011, the date the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying consolidated financial statements.