

**COASTAL COMMUNITY FOUNDATION
OF SOUTH CAROLINA, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.
Charleston, South Carolina

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Independent Auditors' Report

To the Board of Directors of
Coastal Community Foundation of South Carolina, Inc.
Charleston, South Carolina

We have audited the accompanying statements of financial position of **Coastal Community Foundation of South Carolina, Inc.** (the Foundation) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Community Foundation of South Carolina, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

WebsterRogers LLP

Charleston, South Carolina
December 12, 2011

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COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,453,803	\$ 1,300,692
Investments, at fair value	152,143,995	124,604,654
Loan receivable, program related	657,397	330,974
Prepaid assets	6,869	7,762
Property and equipment (net of accumulated depreciation of \$111,650 and \$123,469)	206,746	28,750
Total assets	\$ 154,468,810	\$ 126,272,832
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 35,571	\$ 38,745
Leases payable	14,902	2,638
Charitable trusts liability	1,169,045	1,069,751
Funds managed for:		
Supporting organizations (without CCF majority control)	7,501,409	6,299,834
Other organizations	6,950,281	5,214,930
Total liabilities	15,671,208	12,625,898
Net Assets		
Unrestricted:		
Foundation funds	93,990,497	75,478,803
Supporting organizations (with CCF majority control)	43,545,147	37,329,063
Administrative fund	654,429	397,016
Total unrestricted net assets	138,190,073	113,204,882
Temporarily restricted:		
Charitable trusts	607,529	442,052
Total temporarily restricted net assets	607,529	442,052
Total net assets	138,797,602	113,646,934
TOTAL LIABILITIES AND NET ASSETS	\$ 154,468,810	\$ 126,272,832

The accompanying Notes to Financial Statements are an integral part of these statements.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Foundation funds	Unrestricted Supporting Organizations	Administrative	Temporarily Restricted Charitable trusts	Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 15,090,109	\$ 133,801	\$ 92,038	\$ -	\$ 15,315,948
Less contributions received for other organizations	752,327	48,801	-	-	801,128
Net contributions	14,337,782	85,000	92,038	-	14,514,820
Interest and dividends	1,940,862	934,558	2,408	-	2,877,828
Net realized and unrealized gains on investments	15,534,554	7,889,504	-	-	23,424,058
Change in value of split-interest agreements	-	-	-	165,477	165,477
Other income	251,703	332	1,089,529	-	1,341,564
Total revenues, gains and other support	32,064,901	8,909,394	1,183,975	165,477	42,323,747
EXPENSES					
Grants	7,466,672	2,414,659	-	-	9,881,331
Less grants made for other organizations	242,575	296,301	-	-	538,876
Net grants	7,224,097	2,118,358	-	-	9,342,455
Program expenses	4,699,098	203,001	3,599	-	4,905,698
Support fees	874,606	168,011	-	-	1,042,617
Administrative expenses	344,926	203,940	1,333,443	-	1,882,309
Total expenses	13,142,727	2,693,310	1,337,042	-	17,173,079
Increase (decrease) in net assets before transfers	18,922,174	6,216,084	(153,067)	165,477	25,150,668
Interfund transfers, net	(410,480)	-	410,480	-	-
Increase in net assets	18,511,694	6,216,084	257,413	165,477	25,150,668
Net assets at beginning of year	75,478,803	37,329,063	397,016	442,052	113,646,934
Net assets at end of year	\$ 93,990,497	\$ 43,545,147	\$ 654,429	\$ 607,529	\$ 138,797,602

The accompanying Notes to Financial Statements are an integral part of these statements.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Foundation funds	Unrestricted Supporting Organizations	Administrative	Temporarily Restricted Charitable trusts	Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 9,462,611	\$ 157,209	\$ 59,947	\$ -	\$ 9,679,767
Less contributions received for other organizations	288,713	67,120	-	-	355,833
Net contributions	9,173,898	90,089	59,947	-	9,323,934
Interest and dividends	1,954,845	968,434	1,032	-	2,924,311
Net realized and unrealized gains on investments	6,246,698	3,328,354	-	-	9,575,052
Change in value of split-interest agreements	-	-	-	88,543	88,543
Other income (expense)	185,344	122,055	998,928	-	1,306,327
Total revenues, gains and other support	17,560,785	4,508,932	1,059,907	88,543	23,218,167
EXPENSES					
Grants	8,953,147	2,196,954	-	-	11,150,101
Less grants made for other organizations	228,406	223,277	-	-	451,683
Net grants	8,724,741	1,973,677	-	-	10,698,418
Program expenses	1,319,810	183,655	6,629	-	1,510,094
Support fees	804,358	161,666	-	-	966,024
Administrative expenses	90,936	183,601	1,235,371	-	1,509,908
Total expenses	10,939,845	2,502,599	1,242,000	-	14,684,444
Increase (decrease) in net assets before transfers	6,620,940	2,006,333	(182,093)	88,543	8,533,723
Interfund transfers, net	(148,721)	-	148,721	-	-
Increase (decrease) in net assets	6,472,219	2,006,333	(33,372)	88,543	8,533,723
Net assets at beginning of year	69,006,584	35,322,730	430,388	353,509	105,113,211
Net assets at end of year	\$ 75,478,803	\$ 37,329,063	\$ 397,016	\$ 442,052	\$ 113,646,934

The accompanying Notes to Financial Statements are an integral part of these statements.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 25,150,668	\$ 8,533,723
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(23,424,058)	(9,575,052)
Depreciation	35,256	18,560
Net (gain) loss on sale of contributed investments	(58,672)	17,230
Loss on disposal of property and equipment	2,450	-
(Increase) decrease in:		
Contributions receivable	-	861,107
Loans receivable - program related	(326,423)	285,000
Prepaid assets	893	(653)
Increase (decrease) in:		
Accounts payable	(3,174)	19,268
Charitable trusts liability	99,294	14,727
Funds managed for supporting organizations	1,201,575	512,664
Funds managed for other organization funds	1,735,351	602,148
Net cash provided by operating activities	<u>4,413,160</u>	<u>1,288,722</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(199,312)	(4,664)
Proceeds from sales of investments	17,626,242	4,402,935
Purchases of investments	(21,682,853)	(5,805,798)
Net cash used in investing activities	<u>(4,255,923)</u>	<u>(1,407,527)</u>
Cash Flows From Financing Activities		
Principal payments on capital leases	(4,126)	(1,932)
Net cash used in financing activities	<u>(4,126)</u>	<u>(1,932)</u>
Net increase (decrease) in cash and cash equivalents	153,111	(120,737)
Cash and Cash Equivalents at Beginning of Year	<u>1,300,692</u>	<u>1,421,429</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,453,803</u>	<u>\$ 1,300,692</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 261</u>	<u>\$ 126</u>
Supplemental schedule of noncash investing and financing activities:		
Purchases of property and equipment	\$ (215,702)	\$ (4,664)
Capital lease financing	<u>16,390</u>	<u>-</u>
Cash paid	<u>\$ (199,312)</u>	<u>\$ (4,664)</u>
Noncash contributions of investments	<u>\$ 3,607,157</u>	<u>\$ 1,213,437</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

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

Nature of Activities

Coastal Community Foundation of South Carolina, Inc. (the Foundation) was established in 1974 as a not-for-profit corporation. On April 14, 2004, the Foundation's board officially changed the name of the organization from The Community Foundation Serving Coastal South Carolina, Inc. to Coastal Community Foundation of South Carolina, Inc. The Foundation's mission is to foster philanthropy for the lasting good of the community. It receives and administers gifts, grants, and bequests for charitable purposes, generally in the areas of human needs, arts, education, the environment, health, and community development. Also, the Foundation administers various program initiatives.

The combined financial statements include supporting organizations. These supporting organizations are separate legal entities established under Section 509(a)(3) of the Internal Revenue Code to operate solely for supporting the activities of the Foundation. They have their own boards of directors or trustees and use the Foundation to administer and invest their assets. These supporting organizations are the Frances P. Bunnelle Foundation and the Darby Family Foundation. The Foundation effectively controls, either directly or indirectly, all operating aspects of these organizations, and the organizations are financially interrelated to the Foundation. Accordingly, their financial activity has been included in the accompanying combined financial statements. All significant intercompany transactions have been eliminated in the combined presentation described further in Note 9.

The Jewish Endowment Fund and the Saul Alexander Foundation also operate in connection with the Foundation as supporting organizations under Section 509(a)(3) of the Internal Revenue Code. These organizations are not controlled, directly or indirectly, by the Foundation and are presented following the agency presentation described further in Note 9.

Support is primarily in and for the benefit of the communities of the coastal region of South Carolina. The Foundation officially serves eight coastal counties - Beaufort, Berkeley, Charleston, Colleton, Dorchester, Georgetown, Hampton, and Jasper. The Foundation administers more than 572 individual funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made. The Foundation has a limited liability company to facilitate the holding and subsequent sale of real estate. Activities of these entities are included in these financial statements.

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Revenue Recognition

Contributions are recognized as revenue when they are received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a 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.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Classification of Unrestricted Net Assets

Foundation Funds

These funds are further classified as:

Discretionary Funds represent funds available for expenditure at the Board's discretion.

Field of Interest Funds represent funds available for expenditure at the Board's discretion, but only in the particular field of concern specified in the fund agreement.

Donor Advised Funds represent funds given by contributors who may from time to time suggest that the Board consider a request for a particular grant distribution. The contributors may make recommendations as to which charities should receive grants. These recommendations are advisory only and are subject to the Board of Directors' approval.

Scholarship Funds are available for the purpose of providing scholarships for high school and college students.

Designated Funds represent funds given by contributors with the stipulation that the funds be used for a specific not-for-profit organization(s) or project, and the Foundation has been given the authority to change a designation if the Foundation decides that conditions and circumstances have so changed that literal compliance with the original designation is unnecessary, undesirable, impractical or impossible.

Special Project Funds represent funds given by contributors with the stipulation that the funds be used to administer a specific program which is delineated in the grant or fund contract. The Foundation acts as the administrator for these funds.

Management Endowment Funds are designated for the operations of the Foundation. Endowment or endowed funds are Foundation funds held on a long-term basis. Because the Foundation's board has the ability to modify any restriction on these funds, the funds, although referred to as endowments, are not classified as "permanently restricted."

Supporting Organizations

Unrestricted net assets include the activities of the supporting organizations for which the Foundation exercises majority control. Supporting organizations are separately incorporated charitable organizations and have separate Boards of Directors. Their public charity status is attained through their affiliation with the Foundation.

Administrative Fund

This fund is used for the management and administration of the Foundation, including general, financial and development activities, legal and accounting fees, publications, communications, and other operating expenses.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Classifications of Temporarily Restricted Net Assets

Temporarily restricted net assets are classified as follows:

Assets Held in Charitable Trusts

The Foundation serves as the trustee for various charitable trusts. Under the terms of these trust agreements, the Foundation makes distributions to income beneficiaries for a given term or for the life of the beneficiaries. Depending on the trust agreements at the end of the term or upon the death of the income beneficiary(ies), assets remaining in the trust will be transferred to the Foundation, another charity, or the donor as applicable. The Foundation records the assets held in charitable trusts at their fair value based on current quoted market prices and records a liability under charitable trust agreements for the estimated discounted value of the amounts due to the income beneficiaries based on Internal Revenue Service annuity and mortality tables.

Donor Designated Endowments

Net Asset Classifications

Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also improve disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of South Carolina adopted UPMIFA effective June 11, 2008. However, the Foundation has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to the *Bylaws of the Coastal Community Foundation*, and most contributions are subject to the terms of these *bylaws*. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation.

Under the terms of these *bylaws*, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, device, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Endowment Investment and Spending Policies

The 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. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 7.5% net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return, the 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

The spending policy calculates the amount of money annually distributed from the Foundations' various endowed funds for grant making and administration. The current spending policy is to distribute for grants an amount equal to 4% of a moving 20 quarter average, but not less than 3.5% of current market value. Additionally, for administration, the Foundation distributes from its funds approximately 1%. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds Managed for Supporting (without CCF majority control) and Other Organizations

The Foundation manages assets for various other not-for-profit organizations. These organizations include Supporting Organizations which support the work of the Foundation, but whose board is not controlled by the Foundation, and Other Organizations which are both donor and beneficiary of the funds established at the Foundation. These managed assets are reported as both assets and liabilities in the accompanying statements of financial position. The revenues and expenses of these funds are excluded from the statements of activities.

Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents except cash temporarily held in its long-term investment portfolio until suitable investments are identified. One of the Foundation's projects is designated for loans to conservation groups for protecting endangered property that meets specific conservation criteria. Funds for this project are held in a money market account and are designated for this purpose.

Investments

Investments consist of mutual funds, exchange traded funds, debt and equity securities, annuities, and real estate all carried at fair value. It also includes loans carried at the net present value of future payments and life insurance carried at cash surrender value. Investments in alternative investment securities are carried at the net asset value provided by the external investment managers as of the reporting date. Because alternative investment interests are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for the investments existed. Investments donated to the Foundation are initially recorded at their estimated fair value on the date of gift. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost of the investments sold using the average cost of the investments sold. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Loans Receivable - Program Related

The Foundation has made loans to conservation groups to protect ecologically valuable land from development or other encroachment. These loans are at below market interest rates. The loan receivable is recorded at the net present value of the future payments to be received from the borrower using the loan interest rate. Based upon past performance, management believes no allowance for uncollectible loans is necessary.

Property and Depreciation

The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment is recorded at cost or, if donated, at fair value on the date received. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Promises to Give

The Foundation does not recognize any promises to give until received as a contribution.

Other Income

Other income includes management fee income, support fee income transferred to the administrative fund, and adjustments to life insurance cash surrender value.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

The Foundation's policy is to convert unrestricted donated marketable securities to cash at the time of receipt. Accordingly, on the statements of cash flows, these contributed securities are considered to be cash from operating activities.

Donated Services

A substantial number of volunteers have made significant contributions of their time, principally in administrative functions and grant-making programs. Additionally, various suppliers have provided in-kind goods and services to the Foundation. Although no amounts have been reflected in the accompanying financial statements, management estimates the fair value of contributed goods and services to be approximately \$28,000 and \$3,900 for the years ended June 30, 2011 and 2010, respectively.

Grants Expenses

Grants include gifts for charitable purposes and distributions to designated recipients in accordance with the intentions of the originating donor organization or individual and the Foundation's Board of Directors. Grants are recorded as expenses when they are approved by the Foundation's Board for payment.

Program Expenses

Program expenses include certain administrative, educational, and direct services provided for the benefit of other civic and not-for-profit organizations and their beneficiaries, either by the Foundation, contracted consultants, or other not-for-profit organizations for which the Foundation is fiscal agent.

Support Fees

Support fees are charged for administrative and other services provided to Foundation funds and certain trusts. These fees are used to cover the administrative expenses of the Foundation and support the Foundation's philanthropic efforts throughout its service area. The fee is generally based on a percentage of the estimated fair value of income-producing assets held by the Foundation or a percentage of the individual funds' net fund balances. The usual quarterly fee for services is .25% of the average daily fund balance with a minimum fee of \$62.50 or \$125 for certain endowed funds and funds managed by the Foundation on a long-term basis. For fiscal sponsor funds and funds managed by the Foundation on a short-term basis, the fee is normally 3% of the average daily fund balance.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Administrative Expenses

Administrative expenses include the general, administrative, development, and operating costs of the Foundation. In addition, the Foundation is actively involved in several local program initiatives for which the cost of staffing and managing these initiatives is also included in administrative expenses.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and classified as a non-private foundation under Section 509(a)(1). The Foundation is classified by the Internal Revenue Service as other than a private foundation and therefore, exempt from federal and state income taxes.

Income Tax Uncertainties

The Foundation has adopted Financial Accounting Standards Board ("FASB") guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Foundation's financial statements. The interpretation also provides guidance on derecognition classification, interest and penalties, disclosure and transition.

In accordance with the interpretation, the Foundation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts of the Foundation's position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Foundation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Foundation has completed its assessment and determined that there were no tax positions which would require recognition under the interpretation. The Foundation's income tax returns for years since 2007 remain open for examination by tax authorities.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. One significant use of estimates is estimating the future liabilities of payments to beneficiaries under charitable trust agreements with donors.

Note 2. Receivables and Promises to Give

Promises to Give

The Foundation has received pledges from individuals, foundations, and corporations for contributions to various funds. Pledges receivable which are not reflected in the accompanying statements of financial position at June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Amounts receivable in less than one year	\$ 95,698	\$ 102,638
Amounts receivable in one to five years	368,512	109,085
Amounts receivable after five years	7,152	4,352
Total unrecorded pledges	<u>\$ 471,362</u>	<u>\$ 216,075</u>

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 2. Receivables and Promises to Give (Continued)

Loan Receivable, Program Related

The Foundation invests a portion of its funds in projects that advance philanthropic purposes by providing loans to certain not-for-profit organizations. At June 30, 2011 and June 30, 2010, these loans totaled \$657,397 and \$330,974, respectively. The loans have various maturity dates through June 30, 2015, and interest rates ranging from 1.5% to 3%. Management has reviewed these loans and believes that no allowance for uncollectible accounts is necessary as of June 30, 2011 and 2010.

Note 3. Significant Concentrations

During the years ended June 30, 2011 and 2010, the Foundation received approximately 40% and 29%, respectively, of its contributions from two donors.

Note 4. Split-Interest Agreements

The Foundation has been named as the charitable trustee for certain charitable remainder trusts which require the payout of stated amounts to named beneficiaries over their respective lifetimes. Accordingly, the fair values of the trusts' assets have been included in the Foundation's statements of financial position. Also, a liability has been recorded to reflect the required lifetime payments. The payouts are made in various percentages of the fair value of the trust assets or of the original gift value depending on the trust document and the beneficiaries' ages, which range from 55 to 89 years. There have been no significant changes in actuarial assumptions, and the discount rates used. The discount rates range from 5.4% to 7.4%.

The required lifetime payment liability represents the difference between the fair value of the trust assets and the present value of the remainder interest. For those trust agreements which name the Foundation irrevocably as the remainder beneficiary, a contribution has been recorded based upon the present value of the expected remainder interest. For the trust agreements which name other charities as the remainder beneficiary, or for which no beneficiary has been named irrevocably, a liability to trust remaindermen has been recorded. The remainder interests of the trusts have been estimated using Internal Revenue Service guidelines and actuarial tables. In subsequent periods, adjustment of the liability to reflect changes in the value of trust assets and revisions in the donor's life expectancy are recorded as a change in value of split-interest agreements. The present value of the amounts due to the named beneficiaries for lifetime payments, as well as the present value of the amounts due to the remainder beneficiaries, is included in the caption charitable trusts liability on the Statements of Financial Position.

Following is a recap of amounts relating to split interest agreements at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets included in investments	\$ 1,971,692	\$ 1,511,803
Present value of liability due to beneficiaries	1,169,045	1,069,751
Gain recognized from change in value of split-interest agreements	165,477	88,543

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Note 5. Property and Equipment

Major classifications of property and equipment as of June 30, 2011 and 2010, are summarized below:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 163,932	\$ 34,695
Furniture and equipment	<u>154,464</u>	<u>117,524</u>
Total	318,396	152,219
Accumulated depreciation	<u>(111,650)</u>	<u>(123,469)</u>
Net property and equipment	<u>\$ 206,746</u>	<u>\$ 28,750</u>

Depreciation expense for the years ended June 30, 2011 and 2010, was \$35,256 and \$18,560, respectively.

Note 6. Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents and marketable securities. Cash and cash equivalents are maintained at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation for up to \$250,000 or the Securities Investors Protection Corporation for up to \$500,000. Certain accounts are also covered by the financial institutions' additional insurance for account balances amounts in excess of \$500,000. Deposits may at times exceed the federally insured limits, and credit exposure is limited to deposits at any one institution in excess of this limit. The Foundation has not experienced any losses on its cash and cash equivalents. As of June 30, 2011 and 2010, none of the Foundation's cash balances were uninsured. The Foundation invests in a variety of investments which are subject to fluctuations in market values and expose the Foundation to a certain degree of interest and credit risk.

Note 7. Long-Term Capital Lease

The Foundation leases certain equipment under capital leases. The assets acquired through these leases have been capitalized using appropriate interest rates at the inception of the leases. The asset and related depreciation are included on the statements of financial position under the caption of property and equipment. Amortization of the leased assets is included in depreciation expense.

Interest expense paid on capital leases was \$261 and \$126 for the years ended June 30, 2011 and 2010, respectively.

The following is a schedule by years of future minimum payments required under capital leases as of June 30, 2011:

<u>Year ending June 30:</u>	
2012	\$ 4,116
2013	4,116
2014	4,116
2015	2,906
2016	<u>707</u>
Total minimum lease payments	15,961
Less amount representing interest	<u>1,059</u>
Minimum lease payments	<u>\$ 14,902</u>

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 8. Operating Leases

The Foundation has entered into several non-cancelable operating leases on real properties with the longest expiring December 2020. The following is a schedule of estimated future minimum lease payments on real properties:

<u>Year ending June 30:</u>	
2012	\$ 130,367
2013	112,550
2014	89,650
2015	72,493
2016	74,306
Greater than 5 years	<u>364,830</u>
	<u>\$ 844,196</u>

Total rent expense for the years ended June 30, 2011 and 2010, was \$ 145,478 and \$97,742, respectively.

Note 9. Supporting Organizations

Agency Presentation (without CCF majority control)

Effective March 1996, the Jewish Endowment Fund (the JEF) was created as a Supporting Organization of The Community Foundation and The Charleston Jewish Federation under Section 509(a)(3) of the Internal Revenue Code. The Foundation manages the assets of the JEF and provides staff assistance in qualifying potential grantees of the fund. The market values of the net assets of the JEF managed by the Foundation at June 30, 2011 and 2010, in the amount of \$4,985,098 and \$4,165,680, respectively, are presented both as assets and liabilities in the statements of financial position. The Foundation does not appoint the majority of the Board of Directors for the JEF.

Effective January 1998, the Saul Alexander Foundation was created as a Supporting Organization of the Foundation under Section 509(a)(3) of the Internal Revenue Code. The Foundation manages the assets of the Saul Alexander Foundation and provides staff assistance in qualifying potential grantees. The market values of the net assets of the Saul Alexander Foundation managed by the Foundation at June 30, 2011 and 2010, in the amount of \$2,516,311 and \$2,134,154, respectively, are presented both as assets and liabilities in the statements of financial position. The Community Foundation does not appoint the majority of the Board of Directors for the Saul Alexander Foundation.

Combination Presentation (with CCF majority control)

During fiscal year 2001, a Supporting Organization of the Coastal Community Foundation, the Frances P. Bunnelle Foundation, was created to support Georgetown County in the Foundation's service area. On June 30, 2011 and 2010, the fair value of the net assets of the Frances P. Bunnelle Foundation was \$40,262,364 and \$34,633,090, respectively. The Foundation's Board of Directors appoints a majority of this foundation's board of directors. Accordingly, this supporting organization is combined with the Foundation's financial statements.

During fiscal year 2002, the Darby Family Foundation was formed as a Supporting Organization to support charitable organizations in the Foundation's service area. The Foundation's Board of Directors appoints a majority of this Supporting Organization's Board of Directors. Accordingly, this Supporting Organization is combined within the Foundation's financial statements. On June 30, 2011 and 2010, the fair value of the net assets of the Darby Family Foundation was \$3,295,140 and \$2,695,973, respectively.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 10. Retirement Plan

The Foundation has a defined-contribution retirement plan (SEP-IRA) covering all full and part time employees, employed for at least two years and earning \$550 or more in the current year. The Foundation's annual contributions are calculated at a specified percentage of salary. Vesting is immediate on all contributions by the Foundation. Retirement plan expense for 2011 and 2010 was \$43,442 and \$38,869, respectively.

Note 11. Related Parties

The Foundation has a software maintenance contract with a corporation for which one of the Foundation's board members is an officer of the corporation. The Foundation paid \$10,225 and \$9,927 to the Company during 2011 and 2010, respectively, for the maintenance contract and the purchase of additional software equipment.

The Foundation leased property from an organization that was controlled by one of the Foundation's board members. The Foundation paid \$17,100 to the Organization during 2010. The individual was not a member of the Foundation's board during 2011.

Note 12. Expense Allocation

Administrative expenses include those expenses that are not identifiable with any other specific function, but provide for the overall support and direction of the Foundation. A breakdown of the administrative expenses for the years ended June 30, 2011 and 2010, follows:

	<u>2011</u>	<u>2010</u>
Personnel	\$ 1,067,493	\$ 1,050,942
Professional services	71,616	41,478
Conventions and travel	44,036	29,079
Occupancy	189,590	137,092
Computer services	54,136	27,078
Office expenses	54,002	67,909
Insurance	49,539	42,678
Depreciation	35,256	18,560
Communications	36,381	24,545
Other	280,260	70,547
	<u>\$ 1,882,309</u>	<u>\$ 1,509,908</u>

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Note 13. Listing of Unrestricted Net Assets - Foundation Funds

A breakdown of the unrestricted net assets - Foundation funds for the years ended June 30, 2011 and 2010, follows:

Fund Type	June 30, 2011			
	Endowed	Partially Endowed	Non-Endowed	Total
Discretionary	\$ 3,467,849	\$ -	\$ 146,051	\$ 3,613,900
Field of interest	8,046,212	23,314	1,690,095	9,759,621
Donor advised	34,267,320	18,466,870	519,856	53,254,046
Scholarship	7,029,637	-	9,560	7,039,197
Designated	16,233,078	10,664	939,735	17,183,477
Special project	-	-	444,559	444,559
Management	2,695,697	-	-	2,695,697
Total	\$ 71,739,793	\$ 18,500,848	\$ 3,749,856	\$ 93,990,497

Fund Type	June 30, 2010			
	Endowed	Partially Endowed	Non-Endowed	Total
Discretionary	\$ 2,898,045	\$ -	\$ 5,362	\$ 2,903,407
Field of interest	6,400,015	5,650	1,677,079	8,082,744
Donor advised	27,669,694	13,116,511	659,305	41,445,510
Scholarship	5,766,835	-	7,560	5,774,395
Designated	13,441,186	8,790	982,837	14,432,813
Special project	-	-	566,852	566,852
Management	2,273,082	-	-	2,273,082
Total	\$ 58,448,857	\$ 13,130,951	\$ 3,898,995	\$ 75,478,803

Note 14. Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America provide a framework for measuring fair value. The framework provides a 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 markets 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 below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

Note 14. Fair Value of Financial Instruments (Continued)

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

- *Cash and cash equivalents, contributions receivable and accounts payable:* The carrying amounts approximate fair value because of the short maturity of these instruments.
- *Shares of registered investment companies (mutual funds):* Valued at the quoted net asset value (NAV) of shares held by the Foundation at year end.
- *Money market funds:* Stated using amortized cost which approximates fair value
- *Common stock, equity mutual funds, debt securities, bond mutual funds, balanced funds, and annuities:* Valued by reference to quoted market prices and other relevant information generated by market transactions.
- *Alternative investments:* For these investments, the Foundation has concluded that the net asset value reported by the underlying fund is a practical expedient to estimating fair value.

During the year ended December 31, 2009, the FASB issued additional guidance for "Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", which, among other things, provides new guidance on classifying these investments within the fair value hierarchy. This new guidance states that if the Foundation has the ability to redeem its investment with the investee at the net asset value per share in the near term (three months following the year end), the fair value measurement of the investment is categorized as a Level 2 fair value measurement. If the Foundation does not have the ability to redeem its investment at the net asset value per share in the near term due to a provision that allows redemptions at other times than those defined as the near term or funds that are in a lockup, gate, or other redemption restriction, the investment is categorized as a Level 3 fair value measurement.

The Level 3 restrictions on the hedge funds and funds of funds includes redemption policies ranging from monthly to annually with redemption notice period ranging from 45 to 100 days. Additionally, they were not available to be redeemed as of June 30, 2011, because of lockups that do not allow redemption for 12 to 36 months from date of initial purchase.

- *Notes receivable:* Stated using amortized cost which approximates fair value.
- *Life insurance contracts:* Valued at the cash value of the policy which approximates fair value.
- *Real estate:* These assets are initially valued at the purchase price, or the appraised price if donated, unless the property is offered for sale at a lower price or adverse conditions would deem that the Foundation value the property at a lower price. Property is evaluated annually to determine if the market value of the real estate has changed.

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Note 14. Fair Value of Financial Instruments (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011:

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,453,803	\$ -	\$ -	\$ 1,453,803
Cash equivalents In investment accounts	332,583	-	-	332,583
U.S. large cap equities	45,669,914	-	-	45,669,914
U.S. small cap equities	11,622,115	-	-	11,622,115
International developed market equities	22,281,204	-	-	22,281,204
International real estate equities	2,475,382	-	-	2,475,382
International emerging market equities	7,657,180	-	-	7,657,180
Balanced funds	2,934,844	2,565,699	-	5,500,543
Fixed income government bonds	5,839,588	-	-	5,839,588
Fixed income corporate bonds	6,685,552	-	-	6,685,552
Fixed income bond funds	18,062,001	-	-	18,062,001
Annuities	49,493	-	-	49,493
Alternative investments	-	-	17,911,537	17,911,537
Note receivable	-	-	121,558	121,558
Real estate	-	-	19,900	19,900
Life insurance	-	-	516,971	516,971
Other	7,398,474	-	-	7,398,474
Total assets at fair value	\$ 132,462,133	\$ 2,565,699	\$ 18,569,966	\$ 153,597,798

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Note 14. Fair Value of Financial Instruments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2010:

	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,300,692	\$ -	\$ -	\$ 1,300,692
Cash equivalents In investment accounts	113,670	-	-	113,670
U.S. large cap equities	37,362,909	-	-	37,362,909
U.S. small cap equities	12,416,948	-	-	12,416,948
International developed market equities	17,891,243	-	-	17,891,243
International real estate equities	1,890,112	-	-	1,890,112
International emerging market equities	6,798,411	-	-	6,798,411
Balanced funds	2,810,455	2,346,240	-	5,156,695
Fixed income government bonds	6,022,992	-	-	6,022,992
Fixed income corporate bonds	6,290,646	-	-	6,290,646
Fixed income bond funds	17,817,454	-	-	17,703,784
Annuities	48,418	-	-	48,418
Note receivable	-	-	124,205	124,205
Real estate	-	-	19,900	19,900
Life insurance	-	-	463,586	463,586
Other	12,301,135	-	-	12,301,135
Total assets at fair value	\$ 123,065,085	\$ 2,346,240	\$ 607,691	\$ 125,905,346

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2011 and 2010:

**Level 3 Assets
Years Ended June 30, 2011 and 2010**

	2011	2010
Balance, beginning of year	\$ 607,691	\$ 594,694
Less loan payments	(2,647)	(24,973)
Investment in alternative investments	18,000,000	-
Decrease in value of alternative investments	(88,463)	-
Increase in cash value of life insurance	53,385	37,970
Balance, end of year	\$ 18,569,966	\$ 607,691

COASTAL COMMUNITY FOUNDATION OF SOUTH CAROLINA, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

Note 14. Fair Value of Financial Instruments (Continued)

A summary of the investments at fair value held by the Foundation at June 30, 2011 and 2010, are as follows:

	<u>2011</u> <u>Fair Value</u>	<u>2010</u> <u>Fair Value</u>
Common stocks & equity mutual funds	\$ 89,705,795	\$ 82,142,296
Debt securities & bond mutual funds	38,318,198	36,649,554
Alternative investments	17,911,537	-
Balanced funds	5,500,543	5,156,695
Annuities	49,493	48,418
Note receivable	121,558	124,205
Real estate	19,900	19,900
Life insurance	516,971	463,586
	<u>\$ 152,143,995</u>	<u>\$ 124,604,654</u>
Total investments		

Following is a reconciliation of total net gain (loss) from all investments to the net gain (loss) from the Foundation's funds which is presented in the statements of activities for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Net realized and unrealized gains from all investments	\$ 26,302,920	\$ 10,800,201
Less realized and unrealized gain from managed funds:		
Supporting organizations (<i>without CCF majority control</i>)	(1,366,684)	(572,039)
Funds managed for other organization funds	(1,153,851)	(462,641)
Charitable trusts	(358,327)	(190,469)
	<u>\$ 23,424,058</u>	<u>\$ 9,575,052</u>
Net realized and unrealized gains from all investments		

An investment consulting fee is charged for investment advisory services. Total consulting fees for the fiscal years ended June 30, 2011 and 2010, were \$62,786 and \$61,542, respectively. Interest and dividends revenue is reported net of these investment fees.

Note 15. Contingency

On January 7, 2011, the Foundation was informed that it was a party to a civil lawsuit. In the lawsuit, the plaintiff alleges that the Foundation has discriminated against her in violation of the Pregnancy Discrimination Act and Title VII. The Foundation is contesting the allegations and is vigorously defending its actions in this case. The outcome of this lawsuit cannot be predicted, and no estimate of its financial effect or range of loss can be made.

Note 16. Subsequent Events

During October 2011, Foundation management made a commitment to invest \$16,000,000 in private capital investments. This commitment allocated \$5,500,000 to private equity investments, \$2,500,000 to private debt investments and \$8,000,000 to real asset investments. As of December 12, 2011, \$350,000 of the commitment has been invested.

Management has evaluated subsequent events through December 12, 2011, which is the date the financial statements were available to be issued.