

FOUNDATION FOR COMMUNITY HEALTH, INC.
Audited Financial Statements
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For the Year Ended December 31, 2009

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King, King & Associates, CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Foundation for Community Health, Inc.

We have audited the accompanying statement of financial position of the Foundation for Community Health, Inc. (a nonprofit organization) as of December 31, 2009, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation for Community Health, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation for Community Health, Inc.'s 2008 financial statements and, in our report dated May 6, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 the Foundation for Community Health, Inc. as of December 31, 2009, 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.

King, King & Associates

King, King & Associates, CPAs
Winsted, CT
July 2, 2010

Foundation for Community Health, Inc.

Statements of Financial Position

December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 38,347	\$ 88,593
Prepaid Expenses	5,459	8,319
Total Current Assets	43,806	96,912
Fixed Assets, Net	48,334	22,248
Other Assets:		
Investments	20,551,309	17,115,335
Contribution Receivable - CRT	20,816	14,113
Security Deposit	3,400	1,600
Total Other Assets	20,575,525	17,131,048
Total Assets	\$ 20,667,665	\$ 17,250,208
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Grants Payable	\$ 151,623	\$ 404,700
Accounts Payable & Accrued Expenses	77,784	55,041
Total Current Liabilities	229,407	459,741
Net Assets:		
Unrestricted	17,867,225	14,310,180
Temporarily Restricted	285,134	194,388
Permanently Restricted	2,285,899	2,285,899
Total Net Assets	20,438,258	16,790,467
Total Liabilities and Net Assets	\$ 20,667,665	\$ 17,250,208

The accompanying notes are an integral part of this financial statement.

Foundation for Community Health, Inc.

Statement of Activities

For the Year Ended December 31, 2009

With Comparative Totals for 2008

	Unrestricted	Temporarily Restricted		Permanently Restricted	Total	
		Restricted	Restricted		2009	2008
Support and Revenue:						
Contributions	\$ 244,884	\$ 510	\$ -	\$ 245,394	\$ 317,089	
Investment Income	4,363,111	148,494	-	4,511,605	(6,090,427)	
Change in Value of CRT	-	6,703	-	6,703	(44,061)	
Net Assets Released From Restrictions:						
Satisfaction of Donor Restrictions	64,961	(64,961)	-	-	-	
Total Support and Revenue	<u>4,672,956</u>	<u>90,746</u>	<u>-</u>	<u>4,763,702</u>	<u>(5,817,399)</u>	
Expenses:						
Grants and Disbursements	565,220	-	-	565,220	761,535	
Management and General	244,704	-	-	244,704	269,892	
Program Expenses	305,987	-	-	305,987	259,901	
Total Expenses	<u>1,115,911</u>	<u>-</u>	<u>-</u>	<u>1,115,911</u>	<u>1,291,328</u>	
Change in Net Assets	3,557,045	90,746	-	3,647,791	(7,108,727)	
Net Assets, Beginning	<u>14,310,180</u>	<u>194,388</u>	<u>2,285,899</u>	<u>16,790,467</u>	<u>23,899,194</u>	
Net Assets, Ending	<u>\$ 17,867,225</u>	<u>\$ 285,134</u>	<u>\$ 2,285,899</u>	<u>\$ 20,438,258</u>	<u>\$ 16,790,467</u>	

The accompanying notes are an integral part of this financial statement.

Foundation for Community Health, Inc.

Statements of Cash Flows
December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,647,791	\$ (7,108,727)
Adjustments:		
Depreciation	11,121	6,120
Realized and Unrealized (Gain) Loss on Investments	(4,281,616)	6,435,853
Decreases/(Increases) in Assets:		
Prepaid Expenses	2,860	(5,775)
Contribution Receivable - CRT	(6,703)	44,061
Security Deposit	(1,800)	
Increases/(Decreases) in Liabilities		
Grants Payable	(253,077)	98,106
Accounts Payable and Accrued Expenses	22,743	2,852
Total Adjustments	(4,506,472)	6,581,217
Net Cash Used by Operating Activities	(858,681)	(527,510)
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	1,304,782	1,080,281
Purchase of Investments	(459,140)	(488,965)
Payments for Property and Equipment	(37,207)	(9,659)
Net Cash Provided by Investing Activities	808,435	581,657
CASH FLOWS FROM FINANCING ACTIVITIES:		
	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(50,246)	54,147
Cash and Cash Equivalents at Beginning of Year	88,593	34,446
Cash and Cash Equivalents at End of Year	\$ 38,347	\$ 88,593
Supplemental Information:		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

Foundation for Community Health, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2009
With Comparative Totals for 2008

	Management		Totals	
	and General	Programs	2009	2008
<i>Compensation and Related Expenses</i>				
Salaries	\$ 53,861	\$ 125,676	\$ 179,537	\$ 161,251
Employee Benefits	9,514	22,198	31,712	34,404
Payroll Taxes	3,973	9,270	13,243	12,049
Total	67,348	157,144	224,492	207,704
Unemployment	470	1,098	1,568	1,971
Legal Services	2,301	-	2,301	2,749
Administrative Services	113,914	-	113,914	133,994
Investment Management Fees	20,271	47,298	67,569	99,849
Contract Services	456	-	456	5,340
Program Consultants	-	37,644	37,644	1,200
Insurance	1,412	3,296	4,708	3,870
Rent	7,680	17,920	25,600	11,000
Utilities and Fuel	1,292	3,013	4,305	4,089
Telephone	1,232	2,876	4,108	3,307
Postage and Shipping	263	767	1,030	1,975
Office and Computer Supplies	1,113	2,611	3,724	4,004
Printing	409	1,242	1,651	2,981
Dues & Subscriptions	518	-	518	878
Meeting, Luncheons, Dinners	4,099	2,950	7,049	5,715
Staff Development	3,345	2,778	6,123	4,829
Travel	1,345	3,333	4,678	5,508
Depreciation	3,336	7,785	11,121	6,120
Accounting	7,800	-	7,800	7,450
Computer Maintenance Contract	2,534	5,913	8,447	5,042
Software Support	43	100	143	1,597
Payroll Service Fees	319	744	1,063	1,360
Equipment Rental and Maintenance	1,026	2,395	3,421	2,633
Marketing	2,002	4,670	6,672	3,788
Repairs and Office Maintenance	176	410	586	840
Miscellaneous	-	-	-	-
Totals	\$ 244,704	\$ 305,987	\$ 550,691	\$ 529,793

The accompanying notes are an integral part of this financial statement.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Foundation

The Foundation for Community Health, Inc. (FCH) was formed to maintain and improve the physical and mental health of all residents of the area historically served by Sharon Hospital, Inc. FCH was created under mandate of the Attorney General and the Superior Court of the State of Connecticut, as a type three supporting organization of the Berkshire Taconic Community Foundation, Inc. (BTCF). FCH is a separate, independent corporation governed by its own board of directors, of which three members are appointed by BTCF.

FCH was created as a result of the sale of Sharon Hospital, Inc. (a not-for-profit corporation) to Essent Healthcare, Inc. (a for-profit corporation) based on a lengthy approval process governed by the Attorney General and the Litchfield County Superior Court.

Basis of Accounting

The financial statements of FCH have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenditures when incurred.

Financial Statement Presentation

FCH 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. In addition, FCH is required to present a statement of cash flows. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by FCH is subject to donor-imposed restrictions that can be fulfilled by actions of the FCH pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by FCH.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FCH's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management's estimates.

Income Taxes

FCH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, there is no provision for income taxes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, FCH considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents maintained in investment accounts for re-investment are excluded from cash and are reported as investments.

Endowment

In August 2008, The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhances Disclosures for all Endowment Funds* (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). In 2009, The State of New York has introduced legislation for adoption of UPMIFA. Prior to the issuance of FAS 117-1, accumulated gains and income on donor restricted endowment assets were classified as unrestricted net assets in accordance with the Uniform Management of Institutional Funds Act (UMIFA). Under SP No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as temporarily restricted net assets until appropriated for expenditure. FCH, although a Connecticut Corporation, also operates in New York. The Board of Directors has determined that until legislation is passed in both states, they will continue to manage and account for their endowments in accordance with UMIFA.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Investments

Investments consist of FCH's share of the Berkshire Taconic Community Foundation's "Managed Pool," which consists of various types of investments. The Managed Pool has significant investments in equity and debt securities and is therefore subject to concentrations of credit and market risk. Investments are managed by investment advisors who are selected and engaged by the Investment Committee of the Board of Directors of the Berkshire Taconic Community Foundation (BTCF). The policies regarding investment composition, valuation, and spending are those of BTCF, reviewed and adopted by FCH. BTCF engages its own auditors who issued an unqualified opinion on their financial statements for the year ended December 31, 2009.

Marketable investments in equities and debt securities are carried at fair value based upon quoted market prices. For limited marketability investments, including alternative investments which are principally absolute return strategies, private equity and real estate, the carrying value is the estimated fair value. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. FCH's alternative investments accessed through limited partnerships are determined by the general partner to be at fair value pursuant to FASB ASC 820-10, as further discussed below, after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings, and the audit opinion from the independent auditor of the limited partnership.

Fair Value of Financial Instruments

In accordance with FASB ASC 820-10, FCH is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

In accordance with FASB ASC 820-10, FCH's carrying amount of cash and cash equivalents and grants payable approximate fair value under Level 1. Investments are carried at fair value based on Level 1, Level 2, and Level 3 inputs and are presented in Note 9. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate. Agency funds are carried at fair value based on the underlying investments. Derivatives instruments are measured at fair value based on Level 2 and Level 3 observable inputs. FCH's alternative investments include private equity, venture capital emerging market debt, and hedge funds. FCH does not use derivatives for speculative purposes or for leveraging returns, but rather these instruments are used with the objectives of reducing overall portfolio risk and/or lowering the cost of investment management.

FCH believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2009, in accordance with FASB ASC 820-10.

Spending Policy

As determined in 2001 by the Connecticut Attorney General, FCH may not spend in excess of 5% of its unrestricted assets for a period of ten years. The board of directors, with a $\frac{3}{4}$ majority, may determine that the spending cap should be overridden in years 6 - 10. The present board has determined that the spending cap for 2009 should be waived. The spending cap is presently at 4 $\frac{1}{2}$ % on the average asset base over the past 12 quarters, plus any income received from two permanent trusts and any other unrestricted income received during the year.

Investment Policy

Through BTCF, FCH has adopted investment and spending policies for endowment assets in an effort to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce an average, over long-term horizons, of 8-8.5% with low to moderate level of investment risk and sufficient liquidity.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

To satisfy its long-term rate-of-return objectives, BTCF 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). BTCF 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.

Accounts Receivable

Pursuant to the purchase agreement, between Essent Healthcare, Inc. and Sharon Hospital Inc., and the required approval process, Essent Healthcare, Inc. must transfer a portion of its annual net earnings during the first ten years after the closing of the sale. The agreement requires Essent Healthcare, Inc. to pay FCH twenty-five (25%) of the amount of net earning in excess of seven (7%) of total revenues, if any, as determined by an independent auditor. FCH was not due any funds from Essent Healthcare Inc. for 2009 or 2008.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Website	3 years
Furniture and Fixtures	7 years
Computer Equipment and Software	5 years
Leasehold Improvements	15 years

Contributions and Classification of Net Assets

Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. When a donor-stipulated time restriction ends, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as restrictions satisfied by payment. Restricted contributions are reported as increases to unrestricted net assets when restrictions expire (that is, when a stipulated restriction of time ends or purpose is accomplished) in the reporting period that the contributions are reported as revenues.

Investment Income

Investment income includes interest and dividends earned on savings accounts, as well as any other form of investment income, such as realized and unrealized gains. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Grant Awards

Grant awards are recorded as expenses when approved by FCH and when grant terms do not include material conditions.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Expense Allocation

Certain costs have been allocated among the programs and supporting services benefited based on management's estimate and historical experience.

Advertising Expense

All advertising and marketing costs are expensed in the period incurred as any future economic benefit cannot be quantified.

NOTE 2 – DETAIL NOTES ON ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

At December 31, 2009, the carrying amounts of FCH's deposits were \$38,347, and the bank balance was \$298,235 of which the FDIC insures \$250,000. The remaining \$48,235 was uninsured. The average cash balance is typically below \$250,000 during the year, however due to the timing of grant award payments, cash balances are greater at December 31, 2009.

Investments

Investment return on the investment pool and its classification in the statement of activities consisted of the following:

	<u>2009</u>	<u>2008</u>
Dividends and Interest	\$ 229,990	\$ 345,426
Unrealized Gains (Losses)	4,725,825	(6,308,651)
Realized Gains (Losses)	<u>(444,210)</u>	<u>(127,202)</u>
	<u>\$ 4,511,605</u>	<u>\$ (6,090,427)</u>

Fixed Assets

Fixed Assets consist of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 37,906	\$ 33,835
Website	5,228	5,228
Leasehold Improvements	<u>24,045</u>	<u>3,294</u>
	67,179	42,357
Accumulated Depreciation	<u>(18,845)</u>	<u>(20,109)</u>
	<u>\$ 48,334</u>	<u>\$ 22,248</u>

Depreciation Expense was \$11,121 and \$6,120 for the years ended December 31, 2009 and 2008.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consists of the following:

	<u>2009</u>	<u>2008</u>
Contribution Receivable – CRT	\$ 20,816	\$ 14,113
Field of Interest Funds	<u>264,318</u>	<u>180,275</u>
Total	<u>\$ 285,134</u>	<u>\$194,388</u>

Permanently Restricted Net Assets

Permanently Restricted Net Assets consist of the following:

	<u>2009</u>	<u>2008</u>
Field of Interest Funds	\$ 423,062	\$ 423,062
“Unrestricted” Endowments	<u>1,862,837</u>	<u>1,862,837</u>
Total	<u>\$ 2,285,899</u>	<u>\$ 2,285,899</u>

NOTE 3 – BENEFICIARY INTEREST IN PERPETUAL TRUSTS

FCH is the income beneficiary of two irrevocable perpetual trusts, the assets of which are managed by and in the possession of Bank of America. The assets held in these trusts were valued at \$6,114,276 and \$5,527,292 respectively as of December 31, 2009 and 2008. FCH has interests in the income only, and no provision to receive any principal. FCH received \$204,888 and \$297,383 in income distributions based on the fund's income after certain trust expenses for the years ending December 31, 2009 and 2008.

NOTE 4 – CHARITABLE REMAINDER TRUST

FCH has a split-interest in a charitable remainder trust, administered by a trustee outside FCH. The charitable remainder trust provides for the payment of distributions to the designated beneficiaries over the trust's term (the beneficiaries' lifetime). At the end of the trust's term, FCH will receive 10% of remaining assets. An asset is reported in the Statement of Financial Position representing the present value of the expected future benefits using a 3.2% discount rate and the Joint and Last survivor table. On an annual basis, FCH revalues the asset.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 5 – LEASE COMMITMENTS

FCH is leasing a copier that requires monthly payments of \$223.75 through September, 2013. In addition, FCH is leasing a postage meter that requires quarterly payments of \$194 through June 2011. Total lease expense for 2009 and 2008 amounted to \$5,013 and \$2,999. Future minimum lease payments under these leases are as follows as of December 31, 2009:

<u>Year</u>	<u>Amount</u>
2010	\$5,013
2011	3,849
2012	2,685
2013	2,014

FCH entered into a new lease agreement in April, 2009 for its office space requiring monthly payments of \$2,600. Previously, FCH leased office space on the month-to-month basis. Rent expense for 2009 and 2008 totaled \$25,600 and 11,000. Total lease payments remaining are as follows:

2010	\$31,200
2011	31,200
2012	31,200
2013	31,200
2014	9,100

NOTE 6 – TAX DEFERRED ANNUITY

FCH has adopted a 403(b)(7) Tax Deferred Annuity Plan for its employees and has voluntarily contributed 7% of annual salaries for eligible employees. Investment companies maintain the invested assets. The employer contributions to the plan for the years ending December 31, 2009 and 2008 were \$11,786 and \$10,985.

NOTE 7 – RELATED PARTY TRANSACTIONS

FCH received financial management and administrative functions from BTCF. FCH is a type-three supporting organization of BTCF. The fees paid for these services are based on a graduated fee schedule measured on total assets managed. The total administrative fees paid for 2009 and 2008 were \$113,914 and \$133,994, based on average assets of \$23,305,182 and \$27,634,651, respectively. In addition, investment management fees of \$67,569 and \$99,849 were also paid for 2009 and 2008. Amounts owed to BTCF were \$31,586 and \$27,142 at December 31, 2009 and 2008.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 8 – ENDOWMENT FUNDS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor Restricted Endowment Funds	\$ -	\$ 264,318	\$ 423,062	\$ 687,380
Charitable Remainder Annuity Trust	-	20,816	-	20,816
Board Designated Endowment Funds	<u>17,867,225</u>	<u>-</u>	<u>1,862,837</u>	<u>19,730,062</u>
 Total Funds	 <u>\$ 17,867,225</u>	 <u>\$ 285,134</u>	 <u>\$ 2,285,899</u>	 <u>\$ 20,438,258</u>

Changes in Endowment Assets as of December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment Assets at 12/31/08	\$ 14,310,180	\$ 194,388	\$ 2,285,899	\$ 16,790,467
Contributions	244,884	510	-	245,394
Investment Income	222,414	7,576	-	229,990
Net Appreciation	4,140,699	140,917	-	4,281,616
Amounts Appropriated for Expenditure	(1,050,952)	(64,960)	-	(1,115,912)
Change in Value of Charitable Remainder Trust	<u>-</u>	<u>6,703</u>	<u>-</u>	<u>6,703</u>
 Endowment Assets at 12/31/09	 <u>\$ 17,867,225</u>	 <u>\$ 285,134</u>	 <u>\$ 2,285,899</u>	 <u>\$ 20,438,258</u>

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 9 – FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31, 2009</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Priced in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest in Berkshire Taconic Community Foundation	\$ 20,551,309	\$ -	\$ 18,497,956	\$ 2,053,353
Beneficial Interest in Remainder Trusts	20,816	-	-	20,816

The interest in Berkshire Taconic Community Foundation is reported as valued using Level 2 measurements because FCH owns an interest in an investment pool which is periodically measured by BTCF. The intermediation of BTCF results in some assets being classified as Level 2 assets in the table above when they would otherwise be deemed as Level 1 if held as direct investments by FCH. BTCF measures 63.9% (\$13,138,112) of the \$18,497,956 using Level 1 measurements in its December 31, 2009 financial statements.

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Interest in Berkshire Taconic Community Foundation</u>	<u>Beneficial Interest in Remainder Trust</u>	<u>Total</u>
Balance, beginning of year	\$ 2,855,950	\$ 14,113	\$ 2,870,063
Total gains or losses (realized and unrealized) included in the change in net assets	451,519	6,703	458,222
Purchases and Sales	298,184	-	298,184
Transfers in and/or out of Level 3	<u>(1,552,300)</u>	<u>-</u>	<u>(1,552,300)</u>
Balance, end of year	<u>\$ 2,053,353</u>	<u>\$ 20,816</u>	<u>\$ 2,074,169</u>

The amount of total losses for the period included in changes in net assets attributable to the change in unrealized losses relating to assets still held at end of year

	\$ 415,207	\$ -	\$ 415,207
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The amount reported as Change in Value of Split-Interest Agreements Related to Assets Held at Year-end

	-	6,703	6,703
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FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

NOTE 10 – RECLASSIFICATIONS

Investment management fees for 2008 were reclassified to a separate line in the comparative Statement of Functional Expenses. Previously, they were combined with Investment Income.

NOTE 11 – CONTRIBUTIONS

There are Charitable Remainder trusts which named Sharon Hospital as the beneficiary. FCH is the logical successor beneficiary; however, it has not yet been named as beneficiary. No contributions from these trusts have been recorded.

NOTE 12 – SUBSEQUENT EVENTS

Investment Pool returns as of May, 2010 were (1.2%).

In preparing these financial statements, management has evaluated subsequent events through July 2, 2010, which represents the date the financial statements were available to be issued.