

FOUNDATION FOR COMMUNITY HEALTH, INC.
Audited Financial Statements
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For the Year Ended December 31, 2010

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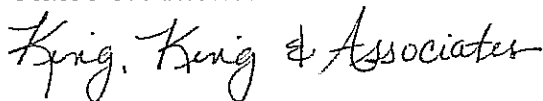
INDEPENDENT AUDITOR'S REPORT

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, 2010, 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 2009 financial statements and, in our report dated July 2, 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, 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.



King, King & Associates, CPAs
Winsted, CT
September 30, 2011

Foundation for Community Health, Inc.

Statements of Financial Position

December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 46,619	\$ 38,347
Prepaid Expenses	5,266	5,459
Charitable Remainder Trust Proceeds	128,827	-
Total Current Assets	180,712	43,806
Fixed Assets, Net	39,816	48,334
Other Assets:		
Investments	23,857,180	20,551,309
Contribution Receivable - CRTs	96,225	20,816
Security Deposit	3,400	3,400
Total Other Assets	23,956,805	20,575,525
Total Assets	\$ 24,177,333	\$ 20,667,665
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Grants Payable	\$ 72,295	\$ 151,623
Accounts Payable & Accrued Expenses	60,100	77,784
Total Current Liabilities	132,395	229,407
Net Assets:		
Unrestricted	20,593,193	17,867,225
Temporarily Restricted	1,165,846	285,134
Permanently Restricted	2,285,899	2,285,899
Total Net Assets	24,044,938	20,438,258
Total Liabilities and Net Assets	\$ 24,177,333	\$ 20,667,665

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, 2010

With Comparative Totals for 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Support and Revenue:					
Contributions	\$ 1,985,938	\$ 60,832	\$ -	\$ 2,046,770	\$ 245,394
Investment Income	2,372,611	382,951	-	2,755,562	4,511,605
Change in Value of CRT	-	14,577	-	14,577	6,703
Other Revenues	1,993	288	-	2,281	-
Net Assets Released From Restrictions:					
Satisfaction of Donor Restrictions	134,958	(134,958)	-	-	-
Total Support and Revenue	<u>4,495,500</u>	<u>323,690</u>	<u>-</u>	<u>4,819,190</u>	<u>4,763,702</u>
Expenses:					
Grants and Disbursements	659,922	-	-	659,922	565,220
Program Expenses	382,281	-	-	382,281	305,987
Management and General	170,307	-	-	170,307	244,704
Total Expenses	<u>1,212,510</u>	<u>-</u>	<u>-</u>	<u>1,212,510</u>	<u>1,115,911</u>
Change in Net Assets from Operations	<u>3,282,990</u>	<u>323,690</u>	<u>-</u>	<u>3,606,680</u>	<u>3,647,791</u>
Other Changes:					
Change in Accounting Principle	(557,022)	557,022	-	-	-
Total Other Changes	<u>(557,022)</u>	<u>557,022</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>2,725,968</u>	<u>880,712</u>	<u>-</u>	<u>3,606,680</u>	<u>3,647,791</u>
Net Assets, Beginning	<u>17,867,225</u>	<u>285,134</u>	<u>2,285,899</u>	<u>20,438,258</u>	<u>16,790,467</u>
Net Assets, Ending	<u>\$ 20,593,193</u>	<u>\$ 1,165,846</u>	<u>\$ 2,285,899</u>	<u>\$ 24,044,938</u>	<u>\$ 20,438,258</u>

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

Foundation for Community Health, Inc.

Statements of Cash Flows
December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,606,680	\$ 3,647,791
Adjustments:		
Depreciation	8,518	11,121
Realized and Unrealized (Gain) Loss on Investments	(2,564,007)	(4,281,616)
Decreases/(Increases) in Assets:		
Prepaid Expenses	193	2,860
Charitable Remainder Trust Proceeds	(128,827)	-
Contribution Receivable - CRTs	(75,409)	(6,703)
Security Deposit	-	(1,800)
Increases/(Decreases) in Liabilities		
Grants Payable	(79,328)	(253,077)
Accounts Payable and Accrued Expenses	(17,684)	22,743
Total Adjustments	(2,856,544)	(4,506,472)
Net Cash Used by Operating Activities	750,136	(858,681)
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	1,248,930	1,304,782
Purchase of Investments	(1,990,794)	(459,140)
Payments for Property and Equipment	-	(37,207)
Net Cash Provided by Investing Activities	(741,864)	808,435
CASH FLOWS FROM FINANCING ACTIVITIES:	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	8,272	(50,246)
Cash and Cash Equivalents at Beginning of Year	38,347	88,593
Cash and Cash Equivalents at End of Year	\$ 46,619	\$ 38,347
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, 2010
With Comparative Totals for 2009

	Management		Totals	
	and General	Programs	2010	2009
Grants and Disbursements	\$ -	\$ 659,922	\$ 659,922	\$ 565,220
Salaries	54,230	126,537	180,767	179,537
Employee Benefits	11,989	27,973	39,962	31,712
Payroll Taxes	4,086	9,535	13,621	13,243
Unemployment	240	560	800	1,568
Legal Services	1,173	-	1,173	2,301
Administrative Services	39,615	92,436	132,051	113,914
Investment Management Fees	21,849	50,982	72,831	67,569
Contract Services	571	910	1,481	456
Program Consultants	-	5,000	5,000	37,644
Insurance	1,542	3,598	5,140	4,708
Rent	9,360	21,840	31,200	25,600
Utilities and Fuel	1,895	4,422	6,317	4,305
Telephone	1,048	2,445	3,493	4,108
Postage and Shipping	420	1,682	2,102	1,030
Office and Computer Supplies	1,109	2,589	3,698	3,724
Printing	-	-	-	1,651
Dues & Subscriptions	675	-	675	518
Meetings, Luncheons, Dinners	912	4,119	5,031	7,049
Staff Development	757	2,370	3,127	6,123
Travel	1,343	3,133	4,476	4,678
Depreciation	2,555	5,963	8,518	11,121
Accounting	8,000	-	8,000	7,800
Computer Maintenance Contract	854	1,994	2,848	8,447
Software Support	498	1,163	1,661	143
Payroll Service Fees	342	798	1,140	1,063
Equipment Rental and Maintenance	1,040	2,426	3,466	3,421
Marketing	4,073	9,502	13,575	6,672
Repairs and Office Maintenance	131	304	435	586
Totals	<u>\$ 170,307</u>	<u>\$ 1,042,203</u>	<u>\$ 1,212,510</u>	<u>\$ 1,115,913</u>

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. Charitable Remainder Trusts are included in Temporarily Restricted Net Assets.

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, 2009, 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.

Recent Accounting Pronouncements

In September, 2009, the FASB issued Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements of Investments in certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 provides guidance on using a net asset value per share (known as the 'practical expedient') to estimate the fair value of investments in hedge funds, commodities funds, private equity funds, real estate funds, venture capital funds, offshore fund vehicles and funds of funds. FCH adopted ASU 2009-12 in 2010.

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 Enhanced 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). The State of New York has also adopted its version (NYPMIFA) in September, 2010. 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.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

Change in Accounting Principle

During 2010, the state of New York adopted its version of UPMIFA; therefore, a net asset reclassification has been made to reflect the cumulative amount of gains and income on donor-restricted endowment assets of perpetual duration from unrestricted to temporarily restricted net assets. This change in accounting principle has no effect on total net assets. The reclassification of endowed net assets from unrestricted to temporarily restricted was \$557,022 for the year ended December 31, 2010, which is more fully described in Note 8.

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, 2010. BTCF has the authority to modify any restriction on the distribution of funds if such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the charitable community.

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.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

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.

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. Fair value inputs used for absolute return investments, private equity investments, and nonearning assets have been estimated using the estimated net asset value per share of the investments.

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 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, 2010, 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 2010 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.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

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 on average, over long-term horizons, returns that will offset spending plus inflation plus administrative fees.

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 2010 or 2009.

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.

FOUNDATION FOR COMMUNITY HEALTH, INC.

Notes to the Financial Statements

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.

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, 2010, the carrying amounts of FCH's deposits were \$46,619, and the bank balance was \$244,185, all of which is FDIC insured.

Investments

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

	<u>2010</u>	<u>2009</u>
Dividends and Interest	\$ 191,555	\$ 229,990
Unrealized Gains (Losses)	2,509,701	4,725,825
Realized Gains (Losses)	<u>54,306</u>	<u>(444,210)</u>
	<u>\$ 2,755,562</u>	<u>\$ 4,511,605</u>

The change in unrealized gains relating to investments that are still held at year-end is \$3,354,621 for the year ended December 31, 2010.

Fixed Assets

Fixed Assets consist of the following:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 37,906	\$ 37,906
Website	5,228	5,228
Leasehold Improvements	<u>24,045</u>	<u>24,045</u>
	67,179	67,179
Accumulated Depreciation	<u>(27,363)</u>	<u>(18,845)</u>
	<u>\$ 39,816</u>	<u>\$ 48,334</u>

Depreciation Expense was \$8,518 and \$11,121 for the years ended December 31, 2010 and 2009.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consists of the following:

	<u>2010</u>	<u>2009</u>
Contribution Receivable - CRT's	\$ 96,225	\$ 20,816
Field of Interest Funds	73,440	66,258
Income on Permanently Restricted Funds:		
Per Attorney General	250,422	198,060
Per Adoption of UPMIFA	188,737	-
Cumulative Effect of Change	<u>557,022</u>	<u>-</u>
	<u>\$ 1,165,846</u>	<u>\$ 285,134</u>

Permanently Restricted Net Assets

Permanently Restricted Net Assets consist of the following:

	<u>2010</u>	<u>2009</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 an 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 \$6,606,851 and \$6,114,276 respectively as of December 31, 2010 and 2009. FCH has interests in the income only, and no provision to receive any principal. FCH received \$256,763 and \$204,888 in income distributions based on the fund's income after certain trust expenses for the years ending December 31, 2010 and 2009.

NOTE 4 – CHARITABLE REMAINDER TRUSTS

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 an 11% discount rate and the Joint and Last survivor table. On an annual basis, FCH revalues the asset. It is reported as Contribution Receivable – CRT.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

In addition, there is a second Charitable Remainder Trust administered by a trustee outside of FCH that provides for the payment of distributions to a designated beneficiary over the beneficiary's lifetime. At the trust's termination, FCH will receive a \$15,000 contribution. Due to the age of the beneficiary, this contribution has not been revalued and is reported as a Contribution Receivable – CRT.

FCH has been notified that they are named beneficiary in another Charitable Remainder Trust. The Trustor died in January, 2011 and FCH will receive a 5% distribution. A receivable has been recorded at the amount anticipated to be received and it is also reported as a Contribution Receivable – CRT.

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 2010 and 2009 amounted to \$3,461 and \$3,461. Future minimum lease payments under these leases are as follows as of December 31, 2010:

2011	\$2,976
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 2010 and 2009 totaled \$31,200 and \$25,600. Total lease payments remaining are as follows:

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, 2010 and 2009 were \$12,463 and \$11,786.

FOUNDATION FOR COMMUNITY HEALTH, INC.
Notes to the Financial Statements

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 2010 and 2009 were \$132,051 and \$113,914, based on average assets of \$27,178,794 and \$23,305,182, respectively. In addition, investment management fees of \$72,831 and \$67,569 were also paid for 2010 and 2009. Amounts owed to BTCF were \$35,592 and \$31,586 at December 31, 2010 and 2009.

NOTE 8 – ENDOWMENT FUNDS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor Restricted Endowment Funds	\$ -	\$ 1,069,621	\$ 2,285,899	\$ 3,355,520
Board Designated Endowment Funds	<u>20,498,092</u>	<u>-</u>	<u>-</u>	<u>20,498,092</u>
 Total Funds	 <u>\$ 20,498,092</u>	 <u>\$ 1,069,621</u>	 <u>\$ 2,285,899</u>	 <u>\$ 23,853,612</u>

Changes in Endowment Assets as of December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment Assets at 12/31/09	\$ 17,771,685	\$ 264,318	\$ 2,285,899	\$ 20,321,902
Cumulative Affect of Change in Accounting Principle	<u>(557,022)</u>	<u>557,022</u>	<u>-</u>	<u>-</u>
Endowment Assets, adjusted	17,214,663	821,340	2,285,899	20,321,902
Contributions	1,985,623	93	-	1,985,716
Investment Income	167,283	26,776	-	194,059
Net Appreciation	2,207,637	356,370	-	2,564,007
Amounts Appropriated for Expenditure	<u>(1,077,114)</u>	<u>(134,958)</u>	<u>-</u>	<u>(1,212,072)</u>
 Endowment Assets at 12/31/10	 <u>\$ 20,498,092</u>	 <u>\$ 1,069,621</u>	 <u>\$ 2,285,899</u>	 <u>\$ 23,853,612</u>

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NOTE 9 – FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31, 2010</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	\$ 23,857,180	\$ -	\$ 21,232,890	\$ 2,624,290
Beneficial Interest in Remainder Trusts	96,225	-	-	96,225

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 44% (\$10,497,159) of the \$21,232,890 using Level 1 measurements in its December 31, 2010 financial statements. Pursuant to BTCF's financial statements, certain investments were reclassified from Level 1 to Level 2 and 3 based on additional clarification contained in ASU 2009-12.

Investment in Entities that Calculate Net Asset Value per Share

The following are investment strategies for investment in entities that calculate net asset value per share:

Global Public Equity – This investment class includes domestic and international equities, or shares of publically traded companies, both long and short positions, that seek to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry and market capitalization. The objective in selecting managers is to generate average annual compounded returns that exceed the relevant broad market indices, net of fees, over full market cycles (5-10 years).

Global Private Equity – This investment class consists of equity securities in operating companies that are not publically traded on a stock exchange and seeks to provide capital to a target company to nurture expansion, new product development or restructuring of the company's operations, management or ownership. These investments are characterized by potential higher returns, greater investment risk and heightened illiquidity than public equity and offer another opportunity to reach investment targets. However since the distribution of returns is wide, managers are selected carefully.

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Flexible Capital – This investment class consists of hedge funds including absolute return, long/short equity, event-driven strategies and other opportunistic investments that seek to take advantage of dislocations in the markets and provide high returns with lower risk profiles. Hedge funds have the potential to reduce overall portfolio volatility in correlation to the general markets and provide better downside protection than in long-only equities.

Credit Strategies – This investment class includes domestic and international fixed income securities and seeks to provide current income as well as a hedge against deflation and equity market risk. Various types of debt typically offer lower volatility and, despite their lower expected return, bonds offer low correlation to the general markets.

Inflation Hedging – This investment class provides exposure to oil, gas, timber, commodities and TIPS (Treasury Inflation–Protected) in an effort to protect against short-term interest rate spikes and long-term inflation.

The following is a summary of commitments and redemption rights of investment in entities that calculate net asset per share:

<u>Description</u>	Balance December 31, 2010	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Public Equity	\$ 4,364,771	\$ -	Daily to Quarterly	0-60 days written notice
Global Private Equity	1,390,998	1,173,583	Illiquid	Illiquid
Flexible Capital	4,796,768	-	Quarterly to Annually	45-60 days written notice
Credit Strategies	1,497,382	-	Monthly	40 days written notice
Inflation Hedging	<u>1,243,171</u>	<u>-</u>	Monthly	One week written notice
 Total	 <u>\$ 13,293,090</u>	 <u>\$ 1,173,583</u>		

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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	\$ 2,053,353	\$ 20,816	\$ 2,074,169
Total gains or losses (realized and unrealized) included in the change in net assets	370,752	14,577	385,329
Purchases and Sales	250,920	-	250,920
Transfers in and/or out of Level 3	<u>(50,735)</u>	<u>-</u>	<u>(50,735)</u>
Balance, end of year	<u>\$ 2,624,290</u>	<u>\$ 35,393</u>	<u>\$ 2,659,683</u>
The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets still held at end of year			
	\$ 363,677	\$ -	\$ 363,677
The amount reported as Change in Value of Split-Interest Agreements Related to Assets Held at Year-end			
	-	14,577	14,577

Transfers reflect the change in value of assets due to the varying percentages of ownership in the BTCF managed pool.

NOTE 10 – CONTRIBUTIONS

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

NOTE 11 – REVIEW FOR SUBSEQUENT EVENTS

Investment Pool returns as of August, 2011 were (.4%).

In connection with the preparation of the financial statements of FCH, as of and for the year ended December 31, 2010, events and transactions subsequent to December 31, 2010 through September 30, 2011, the date the financial statements were available to be issued, have been evaluated by FCH management for possible adjustment and/or disclosure.