

EAST TENNESSEE FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Year Ended December 31, 2010

and

INDEPENDENT AUDITOR'S REPORT

EAST TENNESSEE FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Tennessee Foundation

We have audited the accompanying consolidated statement of financial position of East Tennessee Foundation (a nonprofit corporation) as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year 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 audit.

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 provides 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 East Tennessee Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Brown Jake & McDaniel, PC

July 15, 2011

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EAST TENNESSEE FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Assets:			
Cash and cash equivalents	\$ 9,610,220	\$ 432,397	\$ 10,042,617
Accounts receivable, net	381,092	-	381,092
Prepaid expenses	2,710	-	2,710
Unconditional promises to give	146,999	4,175,624	4,322,623
Short-term investments	7,968,463	-	7,968,463
Loans/notes receivable, net	125,839	-	125,839
Long-term investments	116,047,202	6,740,311	122,787,513
Other assets	37,249	-	37,249
Property and equipment, net	8,715,723	-	8,715,723
Total assets	<u>\$ 143,035,497</u>	<u>\$ 11,348,332</u>	<u>\$ 154,383,829</u>
Liabilities and net assets:			
Liabilities -			
Compensated absences payable	\$ 43,957	\$ -	\$ 43,957
Grants payable	3,247,097	-	3,247,097
Notes payable	4,875,000	-	4,875,000
Annuity/unitrust liability	-	4,305,904	4,305,904
Liability for amounts held for others	24,454,146	309,491	24,763,637
Total liabilities	<u>32,620,200</u>	<u>4,615,395</u>	<u>37,235,595</u>
Net assets -			
Unrestricted	110,415,297	-	110,415,297
Temporarily restricted	-	6,732,937	6,732,937
Total net assets	<u>110,415,297</u>	<u>6,732,937</u>	<u>117,148,234</u>
Total liabilities and net assets	<u>\$ 143,035,497</u>	<u>\$ 11,348,332</u>	<u>\$ 154,383,829</u>

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

EAST TENNESSEE FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues, gains (losses) and other support:			
Contributions and grants	\$ 17,981,099	\$ 192,181	\$ 18,173,280
Investment income	1,911,512	-	1,911,512
Net realized and unrealized gain on investments	7,970,240	-	7,970,240
Change in value of split-interest agreements	-	94,711	94,711
Other revenue	379,108	-	379,108
Net assets released from restrictions during the period	328,565	(328,565)	-
Total revenues, gains (losses) and other support	28,570,524	(41,673)	28,528,851
Expenses:			
Program services -			
Grants and contributions	9,222,929	-	9,222,929
Other program services	1,458,688	-	1,458,688
Supporting services -			
Management and general	879,889	-	879,889
Fund-raising expenses	495,796	-	495,796
Total expenses	12,057,302	-	12,057,302
Change in net assets	16,513,222	(41,673)	16,471,549
Net assets at beginning of year	93,902,075	6,774,610	100,676,685
Net assets at end of year	\$ 110,415,297	\$ 6,732,937	\$ 117,148,234

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

EAST TENNESSEE FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 16,471,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	218,992
Loss on disposal of fixed assets	4,718
Net realized and unrealized loss on investments	(7,970,240)
Non-cash contributions	(10,302,458)
(Increase) decrease in assets:	
Accounts receivable	(306,847)
Interest and dividends receivable	88,202
Prepaid expenses	3
Unconditional promises to give	129,440
Loans/notes receivable	142,709
Other assets	500
Increase (decrease) in liabilities:	
Accounts payable	(13,101)
Grants payable	(59,014)
Notes payable	(2,000)
Annuity/unitrust liability	(290,422)
Liability for amounts held for others	2,714,794
Net cash provided by operating activities	<u>826,825</u>
Cash flows from investing activities:	
Cash paid for acquisition and construction of property and equipment	(48,628)
Purchases of investments	(14,476,288)
Proceeds from the sale of investments	<u>20,661,017</u>
Net cash provided by investing activities	<u>6,136,101</u>
Net increase in cash and cash equivalents	6,962,926
Cash and cash equivalents, beginning of year	<u>3,079,691</u>
Cash and cash equivalents, end of year	<u>\$ 10,042,617</u>
<hr/>	
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	\$ 15
Unrelated business income taxes	28,730

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

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

1. Summary of Significant Accounting PoliciesOrganization and Nature of Activities

East Tennessee Foundation is a publicly-supported community foundation as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code and is tax exempt under Code Section 501(c)(3). Governed by a volunteer board of directors and serving 25 counties, the Foundation was established for the purpose of building charitable resources to make communities stronger and lives better through thoughtful giving. The Foundation receives contributions and administers many charitable funds from which grants are made for scientific, educational, and charitable purposes.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below.

Financial Statement Presentation

The Foundation prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under this standard, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

The Foundation has no permanently restricted net assets at December 31, 2010.

Contributions

The Foundation recognizes pledges receivable upon notification of a donor's unconditional promise to give. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Foundation reports gifts of cash, donated property and all other assets as unrestricted support unless explicit donor stipulations limit the use of the donated assets. When a donor restriction expires, that is, when the 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.

Donated property is recorded at fair market value at the time of donation and is reported as restricted support if it is received with donor imposed restrictions.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Contributions (Continued)

Gifts of future interest are recorded and revalued annually at actuarially determined present value. Gifts of future interest are reported as temporarily restricted support and are reclassified to unrestricted net assets when donor restrictions expire and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Foundation follows the provisions of FASB ASC 740-10-25. Under this standard, an organization must recognize that tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by taxing authorities. The implementation of this standard has had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2010, there were no interest or penalties recorded or included in its financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and money market funds with financial institutions.

Other Assets

Other assets consist primarily of artwork, which was donated to the Foundation and is recorded at the market value at the date of receipt. These items are not readily convertible into cash.

Property and Equipment

Purchased equipment is carried at cost. Donated land, buildings and equipment are carried at fair market value as of contribution date.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Property and Equipment (Continued)

Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Investments and Fair Value Measurement

The Foundation follows the provisions of FASB ASC 820-10 which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e. the exit price).

Publicly traded equities in active markets are reported at fair market value based on the last reported sales price on the last business day of the year. Investment accounts consisting of publicly traded equities and fixed income instruments are recorded at fair value provided primarily by custodians.

Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by management. Privately held securities are valued either by the Board of Directors of the Corporation based on an internal valuation formula, or by outside appraisals where applicable. The valuations of limited partnership investments include assumptions and methods that were prepared by the General Partners of the limited partnerships and were reviewed during the course of the audit.

A portion of the Foundation's long-term commingled fund is invested in alternative investment vehicles with The Investment Fund for Foundations (TIFF), including the TIFF Absolute Return Pool II (ARPII) and a series of private investment limited liability corporations (LLCs). The Foundation has a pro-rata share in each of these TIFF vehicles in which it participates. ARPII and the private investment LLCs invest substantially in investment funds which employ a variety of investment strategies. Valuation of interests in the underlying investment funds comprising each vehicle is based on an amount equal to its pro-rata interest in the net assets, which are at fair value, of such underlying investment funds as reported to TIFF Advisory Services, Inc. (TAS) by the management of the investment funds. TAS independently evaluates the valuation provided by the fund managers of the private investment vehicles. TAS's evaluation takes into consideration numerous factors which may include, but are not limited to, the attributes of the interest held, risks inherent in the inputs to the manager's valuation, restrictions on the disposition of the interest, and data reasonably available to market participants.

EAST TENNESSEE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurement (Continued)

The fair value of the Foundation's investment in alternative investments is based on available information and does not necessarily represent the amounts that might ultimately be realized, which depend on future circumstances and cannot be reasonably determined until the investment is actually liquidated. The fair values may differ significantly from the values that would have been used had a ready market for the investment funds existed.

See Note 5, Investments and Fair Value Measurements, for further discussion relating to ASC 820-10 and the Foundation's investments.

Realized gains and losses are determined by comparison of asset average cost, or fair market value at the date of donation or market value at the beginning of the year, to net proceeds received at the time of disposal. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. These amounts are reflected in the financial statements as net realized and unrealized gains (losses) on investments.

The Foundation's policy regarding investment income and realized and unrealized gains and losses for temporarily and permanently restricted assets is to record such revenues as unrestricted support to the extent that restrictions are met in the same reporting period.

Compensated Absences

The Foundation provides annual leave (vacation) to all employees after six months of employment. Employees accumulate annual leave based on years of service. Unused annual leave is payable upon termination. The balance at December 31, 2010 for this estimated liability was \$43,957.

Net Asset Classifications

The Foundation follows the provisions of FASB ASC 958-205. The Foundation has determined it is subject to the Uniform Prudent Management of Institutional Funds Act of 2006, which requires the Foundation to classify a portion of donor-restricted endowment funds of perpetual duration as permanently restricted net assets, unless stated otherwise in the gift instrument by the donor.

The State of Tennessee adopted UPMIFA effective July 1, 2007 and the Foundation has adopted FASB ASC 958-205. The Board of Directors 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 governing documents for the Foundation and most contributions are subject to the terms of the governing documents and the specific gift instruments.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Net Asset Classifications (Continued)

Under the terms of the governing documents and the specific gift instruments, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, 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 are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted net assets consist of irrevocable charitable trusts and lead trusts. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 funds while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. To achieve the investment goal, the Foundation's Investment Committee establishes investment objectives and strategies of equity, fixed income, cash, and non-traditional investments within prudent risk parameters.

The objective is to achieve a total annual return, measured on a five-year moving average basis equal to the spending rate (including administrative fees) as determined by the Foundation plus the inflation rate. 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 spending policy calculates the amount of money annually distributed from the Foundations' various endowed funds for grantmaking. In 1997, the Board adopted a 4½% annual spending level for grant distributions (not including administrative fees) to be calculated on a rolling average of twelve quarters of ending market values. 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.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)2. Unconditional Promises to Give

Unconditional promises to give are scheduled to be collected as follows:

Due in:

Less than one year	\$ 38,162
One to five years	12,333

Due upon the expiration of income interests of gifts of future interests	<u>4,272,128</u>
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\$4,322,623

3. Note Receivable

Note receivable consists of the following at December 31, 2010:

Cornerstone Foundation:

Note, dated, July 1, 1996, unsecured and bearing interest at a variable rate. 15% of the principal amount was due by December 31, 2007, 17.50% of the principal amount was due by December 31, 2008, and the remaining principal amount was due December 31, 2009. This note was originally payable to the 1939 Foundation and was assigned to the Cornerstone Foundation at November 30, 2006. Interest rate at December 31, 2010 was 5.25%. As of December 31, 2010, Cornerstone is still making efforts to collect this note.

\$ 47,550

Accrued interest receivable at December 31, 2010

104,082

Less: reserve

(75,816)

Total notes receivable, net of reserve

\$ 75,816

4. Loans Receivable

The Foundation, through the Affordable Housing Trust Fund, entered into agreements with a government entity and not-for-profit organizations whereby funds were loaned to increase the quantity and quality of low income housing in the City of Knoxville and Knox County. The balance of the outstanding loans at December 31, 2010 was \$50,023.

These loans range from 0 to 3% interest and are to be repaid over various loan terms. The collateral on these loans varies.

EAST TENNESSEE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Continued)

5. Investment and Fair Value Measurements

Investments held at December 31, 2010 were as follows:

	<u>Market Value</u>	<u>Cost Basis</u>		
Certificate of deposit, matures 01/23/11	\$ 60,161	\$ 60,161		
Certificate of deposit, matures 03/25/11	58,093	58,093		
Commingled funds	100,624,036	98,572,792		
Funds held in trust	28,911,662	26,972,269		
Other investments:				
Limited partnership	12,183	12,183		
Privately held stock	1,054,725	771,320		
Publicly held stock	<u>35,116</u>	<u>46,414</u>		
	<u>\$130,755,976</u>	<u>\$126,493,232</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Short-term investments	\$ 7,968,463	\$ -	\$ 7,968,463	
Long-term investments	<u>116,047,202</u>	<u>6,740,311</u>	<u>122,787,513</u>	
	<u>\$124,015,665</u>	<u>\$6,740,311</u>	<u>\$130,755,976</u>	

FASB ASC 820-10 establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Inputs are quoted prices in active markets for identical investments as of the reporting date. Investments in this category include equities traded on an active exchange, as well as U.S. Treasury and other U.S. government and agency mortgage backed securities that are traded by dealers or brokers in active over-the-counter markets.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)5. Investment and Fair Value Measurements (Continued)

Level 2 - Inputs are observable for the investments, directly or indirectly, as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the counter derivatives.

Level 3 - Inputs are unobservable and reflect assumptions on the part of the reporting entity. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, fund of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The table that follows sets forth information about the level within the fair value hierarchy at which the Foundation's investments are measured at December 31, 2010.

	Level 1	Level 2	Level 3	Total
Investments	\$111,344,194	\$331,201	\$19,080,581	\$130,755,976

The following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining value:

Balance as of January 1, 2010	\$ 18,188,635
Contribution of level 3 assets	629,155
Realized gains on investments	430,604
Unrealized gain on investments	892,762
Investment income	186,412
Fees	(168,481)
Net capital calls/distributions for private investments	887,917
Proceeds from sales of investments	<u>(1,966,423)</u>
Balance as of December 31, 2010	<u>\$ 19,080,581</u>

The Foundation believes that the reported amounts for investments for which observable market prices in active markets do not exist are a reasonable estimate of their fair value at December 31, 2010.

EAST TENNESSEE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Continued)

6. Property and Equipment

Property and equipment consists of the following:

		Depreciation Rates
Land held for charitable use	\$1,010,600	-
Buildings held for charitable use	7,984,764	2.6%
Furniture and equipment	167,408	14 - 20%
Leasehold improvements	160,000	5 - 20%
	9,322,772	
Less accumulated depreciation	607,049	
	\$8,715,723	

Depreciation expense for the year ended December 31, 2010 was \$218,992.

7. Grants Payable

The following summarizes the changes in grants payable during 2010:

Grants payable at December 31, 2009, net of reserve of \$64,350		\$ 3,306,113
Additions:		
Unconditional grants recognized		9,222,929
Decrease in grants payable reserve		27,500
Deductions:		
Payments made		(9,309,445)
Grants payable at December 31, 2010, net of reserve of \$38,650		\$ 3,247,097

These grants are scheduled to be disbursed as follows:

2011		\$1,652,525
2012		708,224
2013		495,000
2014		165,000
2015 and thereafter		265,000
		3,285,749
Less: reserve		(38,650)
Total		\$3,247,099

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)8. Notes Payable

Cornerstone Foundation, a supporting organization of East Tennessee Foundation, also had outstanding lines of credit with three other nonprofit entities totaling \$4,875,000 at December 31, 2010. Each of these lines of credit bear no interest, have no collateral and mature on the earlier of December 31, 2050 or 30 days after the property is sold.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of income and remainder interests in split-interest agreements and are available upon expirations of income interest or stated term. Total temporarily restricted net assets at December 31, 2010 were \$6,732,937.

The difference between the actuarially determined present value of gifts of future interest at the beginning and the end of the period is recorded as change in value of split-interest agreements - temporarily restricted.

10. Endowment Funds

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Total</u>
Donor Advised	\$ 16,039,276	\$ -	\$ 16,039,276
Charitable Trusts	-	2,450,340	2,450,340
Designated	3,974,865	1,988,598	5,963,463
Field-of-Interest	12,308,719	-	12,308,719
Scholarship	11,465,584	-	11,465,584
Unrestricted	1,726,130	-	1,726,130
Operating	1,047,959	-	1,047,959
Supporting Organizations	26,168,763	-	26,168,763
	<u>\$ 72,731,296</u>	<u>\$ 4,438,938</u>	<u>\$ 77,170,234</u>
Total Endowment Funds			

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)10. Endowment Funds (Continued)

Total net asset composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Assets</u>
Endowment Funds (from table above)	\$ 72,731,296	\$ 4,438,938	\$ 77,170,234
Non-Endowment Funds			
Donor Advised	24,956,048	1,787,598	26,743,646
Designated	271,828	-	271,828
Field-of-Interest	894,116	-	894,116
Scholarship	12,005	-	12,005
Operating	655,665	-	655,665
Special Project	1,306,297	-	1,306,297
Supporting Organizations	<u>9,588,042</u>	<u>399,428</u>	<u>9,987,470</u>
Total Non-Endowment Funds	<u>37,684,001</u>	<u>2,187,026</u>	<u>39,871,027</u>
Charitable Lead Trust (of which ETF is Trustee)	<u>-</u>	<u>106,973</u>	<u>106,973</u>
Total Net Assets	<u>\$ 110,415,297</u>	<u>\$ 6,732,937</u>	<u>\$ 117,148,234</u>

Changes in endowment net assets as of December 31, 2010 are as follows:

Endowment net assets at January 1, 2010	\$ 64,815,741	\$ 4,248,391	\$ 69,064,132
Board approved change from endowed status	9,780	-	9,780
Change from organization to designated fund type	(323,314)	-	(323,314)
Contributions	2,707,331	192,181	2,899,512
Investment income	1,603,112	-	1,603,112
Net unrealized and realized gain on investments	6,390,703	-	6,390,703
Change in value of split-interest agreements	-	(1,634)	(1,634)
Other Income	490	-	490
Transfers to/from other funds	58,372	-	58,372
Grants made	(1,619,205)	-	(1,619,205)
Administrative and investment fees	(634,186)	-	(634,186)
Other expenses	<u>(277,528)</u>	<u>-</u>	<u>(277,528)</u>
Endowment net assets at December 31, 2010	<u>\$ 72,731,296</u>	<u>\$ 4,438,938</u>	<u>\$ 77,170,234</u>

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)11. Split-Interest Agreements

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. Assets held in charitable remainder trusts are reported at fair market value in the Foundation's Statement of Financial Position and totaled \$6,756,244 at December 31, 2010. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$4,305,904 at December 31, 2010) is calculated using a discount rate applied at the time of the contribution and applicable mortality tables. The present value of estimated future remainder interest benefits was \$2,450,340 at December 31, 2010.

The Foundation also administers a charitable lead trust. Under the terms of the split-interest agreement, the Foundation is to receive distributions equal to 6% of the fair market value of the net assets of the trust on the first day of each year through 2015. On January 1, 2016, the trust is to terminate and remaining trust assets are to be distributed to others. Based on a discount rate of 6.6%, the present value of future benefits expected to be received by the Foundation at December 31, 2010 was estimated to be \$106,973.

12. Agency Endowments

The Foundation follows the provisions of FASB ASC 958-605. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958-605, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)12. Agency Endowments (Continued)

At December 31, 2010, the Foundation and its supporting organizations were the owners of 100 agency endowment funds with a combined value of \$24,454,146. The following table summarizes activity in such funds during the year then ended:

Agency endowment fund balances at January 1, 2010	\$21,766,375
Contributions	580,158
Investment income	483,727
Unrealized and realized investment gains (losses)	2,148,653
Change from designated fund type to endowment	431,542
Change from field of interest fund type to endowment	7,274
Grants made	(779,807)
Administrative and investment fees	<u>(183,776)</u>
Agency endowment fund balances at December 31, 2010	<u>\$24,454,146</u>

13. Concentration of Credit Risk

The Foundation has a master repurchase agreement with a bank where at the end of each day cash is invested in overnight securities. These securities are purchased in the name of East Tennessee Foundation. Deposits at this bank at December 31, 2010 totaled \$3,577,291.

Cornerstone Foundation, a supporting organization of East Tennessee Foundation, has cash in money market accounts at two brokerage firms which are not insured. Deposits in these accounts at December 31, 2010 totaled \$6,724,400.

14. Administrative Fees

The Foundation charges most funds and supporting organizations administrative fees to defray the costs required to administer and manage the various funds and supporting organizations of East Tennessee Foundation. The amount of administrative fees paid by trust funds and supporting organizations to the operating fund totaled \$820,709.

Certain funds are not charged an administrative fee as the Foundation keeps the investment income earned on the principal of the gift.

15. Subsidiary Organization

Cornerstone Foundation, a supporting organization of East Tennessee Foundation, formed a single member limited liability company, 4MS, LLC. The LLC is funded through grants and loans from Cornerstone Foundation and three unrelated private foundations. These four foundations desired to facilitate the acquisition, financing, and development of facilities in the Market Square area of downtown Knoxville, Tennessee and to create sacred spaces, in furtherance of the religious and charitable purposes of each organization. This property has been leased to another non-profit entity formed for the purpose of operating and managing the four initial components of the project

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)15. Subsidiary Organization (Continued)

which include a meeting and auditorium venue, a café and coffee house, a residential and learning space for a Christian mentoring program, and office spaces for ministry and non-profit organizations.

Three of the funding entities have made advances of \$1,625,000 to the LLC. Draws on these lines of credit at December 31, 2010 total \$4,875,000.

16. Component Funds

Descriptions of the various component funds of the Foundation at December 31, 2010 are as follows:

UNRESTRICTED AND FIELD-OF-INTEREST FUNDS

Unrestricted funds are "opportunity" funds, allowing the Foundation board and staff to make strategic grants when an opportunity arises. Most Foundation funds are restricted to a particular county, cause, or nonprofit. Unrestricted funds allow the Foundation to support worthwhile requests when an initiative, special need, or community project is identified.

Field-of-Interest Funds support a competitive grantmaking process in broad charitable areas such as arts and culture, community development, women and children, education or youth-at-risk. These funds allow the Foundation flexibility in serving a particular need that matches donors' interest.

The following is a listing of all Unrestricted and Field-of-Interest Funds during 2010:

Affordable Housing Trust Fund
 Arts Fund for East Tennessee
 Boyd Youth Education Fund
 Butterfly Fund
 Frederic and Dorothea King Cady Memorial Trust
 Fund for Campbell County
 Fund for Campbell County - Grants Program
 Clinch-Powell Community Fund
 Fund for Cocke County
 Paul O. Dore, Jr., and Betty B. Dore Unrestricted Fund
 Economic Development Fund for East Tennessee
 Elizabethton/Carter County Community Foundation Fund
 Fund for Etowah and McMinn County
 Marilyn L. Frank Opportunity Fund
 Fund for Greene County
 Fund for Greene County Operating Endowment
 John D. Grubb and Louise G. Sumner Fund for Monroe County
 Harris Fund for Washington County
 Natalie Leach Haslam Fund
 Johnson County Community Foundation Fund
 Johnson County Community Foundation Grants Program
 Ira O. Johnson Memorial Fund
 KiMe Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**UNRESTRICTED AND FIELD OF INTEREST FUNDS (Continued)**

Kingsport Community Foundation
 Kingsport Community Foundation Grants Program
 Leadership Education Fund
 Literacy Endowment for East Tennessee
 Miles for a Child Fund
 Mount Rest Fund
 Neighborhoods Small Grants Program
 John D. Ogle Cerebral Palsy Research Fund
 Opportunity Endowment Fund
 Respiratory Disease Fund
 Rogersville/Hawkins County Education Fund
 Rural Communities Initiative Fund
 Anna G. Schmidt and Barbara M. Landauer Endowment Fund
 Lydia Seilez Memorial Fund
 Ten Year Plan to End Chronic Homelessness Fund
 Fund for Unicoi County
 Union Count Community Foundation Fund
 Margaret M. Wachs Youth Leadership Fund
 Wildlife Preservation Endowment
 Women's Fund of East Tennessee
 Youth Endowment
 Youth Endowment Foster Care Scholarship Fund

SCHOLARSHIP AND AWARD FUNDS

In 2010, \$331,300 was disbursed in scholarship awards for 105 recipients attending 30 different institutions of higher education.

The following is a listing of all Scholarship and Award Funds during 2010:

B & W Y-12 Scholarship Fund
 Coach Jack Blair Scholarship Fund
 Dan Y. Boring Memorial Scholarship Fund
 Ruby A. Brown Memorial Scholarship Fund
 Harold W. Canfield Memorial Scholarship Fund
 Vera and Lawrence Carson Scholarship Fund
 Karolyn King Carter Scholarship Fund
 Gail Clay Scholarship Fund
 Gordon W. and Agnes P. Cobb Scholarship Fund
 Steven L. Coffey Memorial Scholarship Fund
 Craighead Limestone Scholarship Fund
 R. G. and Ruth Crossno Scholarship Fund
 Michael Curtin Renaissance Student Memorial Scholarship Fund
 Mickey Forrester Memorial Scholarship Fund
 James K. Goldston INFOSEC Scholarship Fund
 Greene County Scholarship Program Fund
 Michael David Greene Scholarship Fund
 Angie Grubb Scholarship Fund
 John D. Grubb and Louise G. Sumner Fund for Monroe County Scholarship program
 Jack F. and Edith Updyke Harmon Scholarship Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**SCHOLARSHIP AND AWARD FUNDS (Continued)**

John Hogin Scholarship Fund
 Mary C. & Joe A. Hollingsworth Sr. Scholarship Fund
 Johnson County Education Growth Scholarship Fund
 Johnson County Scholarship Fund
 KBA Scholarship Fund
 Dr. Richard Forrest and Ella Dudley Kelsey Memorial Scholarship Fund
 Dorsey and Betty King Scholarship Fund
 Knox Central High Class of '50 Alumni Association Scholarship Fund
 Knox Central High Class of '50 Alumni Association Scholarship Fund #2
 Brandy Maples Memorial Scholarship Fund
 McMinn County High School Alumni Fund
 Miller/Vicars Scholarship Fund
 Reuben Louise Cates Mount and the JSL Scholarship Fund
 Ollie and Floyd Sloan Scholarship Fund
 Stepping-Stone Scholarship Fund - Nonendowed
 Stepping-Stone Scholarship Fund
 Lawrence Strader Boy Scouts of America Scholarship Fund
 Strader Family Fort Scott High School Scholarship Fund
 Teen Town "Pride of the Hill" Scholarship Fund
 Tennessee Judicial Conference Fund
 Debbie Van Cleave Scholarship Fund
 James L. and Brilla Mallicoat Young Scholarship Fund

DESIGNATED ENDOWMENT FUNDS

These funds let donors establish endowment funds for the benefit of their favorite charities. Designated endowments supply an ongoing source of support for East Tennessee's many nonprofit organizations and provide security and stability to enhance the good work of these organizations.

The following is a listing of all Designated Endowment Funds during 2010:

Thomas M. and Murray (Midge) Ayres Knox Area Rescue Ministries Fund
 Thomas M. and Murray (Midge) Ayres United Way of Greater Knoxville Fund
 Thomas M. and Murray (Midge) Ayres Webb School of Knoxville Fund
 Howard Baker Portrait Project Fund for the benefit of University of Tennessee
 Howard H. Baker, Jr. Center for Public Policy
 Bonnie P. Blackburn Joni and Friends Knoxville Fund
 Mary H. Bogart Endowment Fund for the benefit of Erwin Presbyterian Church
 and Care & Share Ministry in Erwin, TN
 John and Elizabeth Bowen Fund for the benefit of Cumberland College in
 Williamsburg, Kentucky
 CAC Office on Aging Endowment Fund
 CAC Office on Aging - Mobile Meals Fund
 Community Health of East Tennessee Foundation Fund
 Community Health of East Tennessee Foundation Fund - Nonendowed
 Community School of the Arts Endowment Fund
 Marilyn Davis Music Scholarship fund for the benefit of East Tennessee State
 University

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**DESIGNATED ENDOWMENT FUNDS (Continued)**

Joseph Delaney Memorial Endowment Fund for the benefit of Volunteers of America

James A. Dick Endowment Fund for the benefit of Joy of Music, Historic Tennessee Theatre Foundation, and Knoxville Symphony

Marilyn Dick Endowment Fund (anonymous nonprofit beneficiaries)

Dobyns-Bennett Baseball Foundation of Kingsport Fund

Dobyns-Bennett Baseball Foundation of Kingsport Fund #2

Paul O. Dore, Jr., and Betty B. Dore Community Benefit Fund for the benefit of the United Way of Greater Knoxville, Westminster Presbyterian Church, Venice Presbyterian Church in Venice, FL, and Plantation Community Foundation in Venice, FL

Paul O. Dore, Jr., and Betty B. Dore Scholarship Fund for the benefit of Christian Academy of Knoxville

East Tennessee Technology Access Center, Inc. Endowment Fund

John H. and Carol R. Evans Fund for Choral Music for the benefit of University of Tennessee School of Music Choral Activities Fund

Florence Crittenton Agency Endowment Fund/Julia Anspach

Russell O. and Fanny Ford Memorial Fund for the benefit of Gloria Dei Lutheran Church and New Prospect Presbyterian Church

Fulton High School Foundation Endowment Fund

Fulton High School Foundation Fund

Betty C. Hinton Fund for the benefit of Ramsey House Endowment Fund, Knox Area Rescue Ministries, and Webb School Library

Humane Society Fund for the benefit of the Humane Society of the Tennessee Valley

Interfaith Health Clinic Fund

Johnson City Public Library Foundation Fund

Byrd and King Jones Memorial Fund #1 for the benefit of Bachman Memorial Home and the Sweetwater Hospital Association

Byrd and King Jones Memorial Fund #2 for the benefit of the Sweetwater Hospital Association and Hiwassee College

Hayley Kerr Memorial Fund for the benefit of Halls High School

"Kingsport Renewal: The Spirit Campaign" Fund for the benefit of the K-Play Sports Facilities and the Greater Kingsport Family YMCA

David Meriwether Lovett Fund for the benefit of the Arts Fund for East Tennessee and the Church of the Ascension

Maryville College Scholarship Fund

Mitchel Family Charitable Fund for the benefit of Holston United Methodist Home for Children and Free Will Baptist Family Ministries in Greeneville, TN

Oakley and Bruce Moody Fund for the benefit of East Tennessee Foundation's Respiratory Disease Fund and Economic Development Fund

Nativity Pageant of Knoxville Endowment Fund

Oates Family Trust Fund for the benefit of Foothills Land Conservancy and Legacy Parks Foundation

Sharon Olson Social Ministry Fund for the benefit of the social outreach ministry program at Messiah Lutheran Church

Recording for the Blind and Dyslexic Endowment Fund

Stokely Special Arts Endowment Fund for the benefit of the Stokely Gallery of the Knoxville Museum of Art

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**DESIGNATED ENDOWMENT FUNDS (Continued)**

Lawrence Strader sons of the Revolution Fund
 Tennessee Homeless Animal Care Fund for the benefit of Friends of the Animal Shelter, Newport, TN
 John L. and Ann B. Vandevate Education Fund for the benefit of the Greater Kingsport Alliance for Development
 Mr. and Mrs. Ned S. Williams Designated Fund for the benefit of First United Methodist Church in Sevierville, TN, Tennessee Wesleyan College in Athens, TN, and Ohio Wesleyan University in Delaware, OH.

ORGANIZATION/AGENCY ENDOWMENT FUNDS

These funds let nonprofit organizations establish endowment funds for their own benefit, supplying them with an ongoing source of support, security and stability.

The following is a listing of all Organization/Agency Endowment Funds during 2010:

Agape House Endowment Fund
 Arrowmont School of Arts and Crafts Agency Endowment Fund
 Arrowmont Settlement School of Arts and Crafts Endowment Fund
 Boys and Girls Club of the Smoky Mountains Fund
 Children's Center of the Cumberlands Fund
 Children's Museum of Oak Ridge Agency Endowment Fund
 Clinch-Powell Resource, Conservation and Development Council Agency Endowment Fund
 Community Health of East Tennessee Endowment Fund
 Contact of Oak Ridge Endowment Fund
 Dogwood Arts Festival Fund
 Dream Connection Fund
 East Tennessee Area Agency on Aging Fund
 East Tennessee Community Design Center Endowment Fund
 East Tennessee Economic Development Agency Fund
 East Tennessee Historical Society Endowment Fund
 East Tennessee Veterinary Medical Association Fund
 Emerald Youth Foundation Fund
 Foothills Land Conservancy Inc. Fund
 Fort Kid Playground Endowment Fund
 Foundation of Missions Fund
 Friends of Great Smoky Mountains National Park Endowment Fund
 Friends of the Knox County Library Fund
 Nathanael Greene Museum Agency Endowment Fund
 Greeneville Arts Council Endowment Fund
 James A. Haslam II/Leadership Knoxville, Inc. Scholarship Fund
 Headmaster's Scholarship Fund
 Alvin Herborg and Jane Ann Evans Nielson Endowment Fund
 Interfaith Health Clinic Foundation Fund
 Junior Achievement - Tri-Cities TN/VA Fund
 King College Fund
 Knox County Association for Retarded Citizens Endowment Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**ORGANIZATION/AGENCY ENDOWMENT FUNDS (Continued)**

Knox Heritage Partners in the Field Fund
 Knox Heritage Preservation Fund
 Knoxville Academy of Medicine Auxiliary Health Discovery Fund
 Knoxville Area Urban League Fund
 Knoxville Chapter of the American Marketing Association Eagle Endowment Fund
 Knoxville Community Recreation Band Advancement Group Fund
 Knoxville Habitat for Humanity Fund
 Knoxville Museum of Art Agency Endowment Fund
 Knoxville Museum of Art Endowment Fund
 Knoxville Zoo Fund
 Legal Aid of East Tennessee Endowment Fund
 Little Theatre of Greeneville Memorial Endowment Fund
 Martin Trust for the benefit of Historic Rugby
 Maryville City Schools Foundation, Inc. Endowment Fund
 Maryville City Schools Foundation Lamar Alexander Scholarship Fund
 Ronald McDonald House Endowment Fund
 Ronald McDonald House Endowment Fund #2
 Historic Middlebrook Preservation Trust Fund
 Newport Theatre Guild Endowment Fund
 Oak Ridge Rowing Association Endowment Fund
 Old Gray Cemetery Endowment Fund
 Dr. Alyene Reese Memorial Endowment Fund for the benefit of Mountain Hope
 Good Shepherd Clinic
 Rocky Mount Museum Agency Endowment Fund
 Rose Center and Council for the Arts Endowment Fund
 Rotary Club of Knoxville Foundation Scholarship Fund
 Historic Rugby Endowment Fund
 Safe Haven Center Endowment Fund
 Second Harvest Food Bank Fund
 Sequoyah School PTA Endowment Fund
 Shanghi-La Therapeutic Academy of Riding ("STAR") Endowment Fund
 SOCM Justice Fund for the benefit of Statewide Organizing for Community
 eMpowerment Resource Project
 United Way of Anderson County Endowment Fund
 United Way of Greene County Endowment Fund
 United Way of Greater Kingsport, Inc. Endowment Fund
 United Way of Greater Knoxville, Inc. Endowment Fund
 Webb School of Knoxville Fund
 Weekend Academy Chattanooga Agency Endowment Fund
 Weekend Academy Knoxville Agency Endowment Fund
 Weekend Academy Memphis Agency Endowment Fund
 Wellness Community, Knoxville, Inc. Endowment
 James White Fort Endowment Fund
 WordPlayers Fund
 YMCA of East Tennessee Endowment Fund
 YMCA of Greene County Agency Endowment Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**DONOR ADVISED FUNDS**

These funds offer donors the most flexibility and involvement in their giving. Many donors choose a donor advised fund over a family foundation because of the administrative ease and lower cost. Donors also enjoy the opportunity to teach philanthropy to their children, both by example and by involving the family in grantmaking. Donors benefit from the Foundation staff's knowledge of the needs and opportunities for giving in East Tennessee.

The following is a listing of all Donor Advised Funds during 2010:

Advised Fund #2
 Advised Fund #5
 Advised Fund #6
 Advised Fund #8
 Advised Fund #9
 Advised Fund #11
 Advised Fund #12
 Advised Fund #14
 Albers Family Charitable Fund
 Albers Family Perpetual Endowment Fund
 Joan D. Allen Fund
 Anderson Family Fund
 Chase Anderson Fund
 Asante Fund
 David E. Avriett Fund
 Ayers Advised Fund
 BB&T Fund
 Beall Family Fund
 Begalla Family Fund
 Fred D. Benton Advised Fund
 Fred D. Benton Reading Fund
 Tom Benton Donor Advised Fund
 Bryan and Wilma Jo Blalock Fund
 James and Kati Blalock Fund
 Sidney A. and JoNelda Williams Blalock Fund
 Bonnaroo Works Fund
 Bootheel Fund
 Boyd Family Fund
 Joyce and William Bricker Fund
 Burkhart & Company Charitable Fund
 Condon S. and Betsey R. Bush Fund
 Jeff Byrd Foundation Fund
 Campbell Family Charitable Fund
 C. Howard Capito Donor Advised Fund
 Cardiovascular Research of Knoxville Fund
 Carey Fund
 ChoiceDATA Charitable Fund
 Civitan Club Fund
 Clayton Family Foundation Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**DONOR ADVISED FUNDS (Continued)**

Cleverdon Animal Welfare Fund
 Community Projects Trust Fund
 Conner Family Fund
 Consoli Family Foundation Fund
 Jean and John Cooper Fund
 Cornerstone Fund
 Craig Foundation Fund
 Katherine R. Cunningham Family Fund
 Paul O. Dore, Jr., and Betty B. Dore Donor Advised Fund
 Driver Family Fund
 East Tennessee AIDS Fund
 East Tennessee Rural/Medically Underserved and Knoxville Underprivileged
 Inner-City Youth Fund
 Family Investment Fund
 John J. Faris and Sondra B. Faris Fund
 Marilyn L. Frank Donor Advised Fund
 J. Compton French, Sr. and Margaret C. French Fund
 Freshour-McNabb Children's Fund
 Harry W. Galbraith & Carolyn W. Galbraith Fund
 Bruce and Diane Gibson Christian Ministry Fund
 GKTA Donor Advised Fund
 Frank and Anna Gray Family Endowment Fund
 Frank and Anna Gray Family Fund
 Grimes Family Fund
 Harlan Family Fund
 Harris Family Fund
 Haslam Family Fund
 James A. Haslam III & Susan B. Haslam Donor Advised Fund
 Natalie and Jim Haslam Charitable Fund
 Michael L. & Leilah M. Hatcher Fund
 Dr. Ray M. and Mrs. Christine G. Hayworth Charitable Fund
 Health, Education, and Wellness Fund
 Henry's Fund
 Thomas R. and Patricia A. Hodge Fund
 Hodges Family Charitable Fund
 Audrine Honey Donor Advised Fund
 Humphreys Barlow Fund
 Hundred Year Fund
 Hunter Hills Alumni Fund
 Igawaga Fund
 Samuel and Katherine Jones Fund for Youth
 KBA Endowment for the Youth Fund
 Kelleher-Sohn Family Fund
 Imogene A. King Fund
 Knox County Government Foundation Fund for the benefit of Education Summit,
 First Day Festival, Imagination Library, Read With Me, and Senior Summit
 Knoxville High School Alumni Association Fund
 Grace Sharp Leech Donor Advised Fund
 Lodge Donor Advised Fund
 A. David Martin Charitable Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**DONOR ADVISED FUNDS (Continued)**

A. David Martin Endowment Fund
Martin Charitable Fund
A. C. Masingill, Jr. Fund
Cheryl and Lynn Massingale Family Fund
McElligott Family Foundation Fund
Morton Foundation Fund
Glyn Ed and Lynda Newton Donor Advised Fund
Scott M. Niswonger Fund
Randall Keith Nutt Fund
Ben F. and Mary L. Oliver Donor Advised Fund
Thomas and Susan Overton Fund
Packard Fund
Donald H. and Carol A. Parnell Charitable Fund
Pferrer-Liles Fund
Richard B. and Jane M. Ray Fund
Reeder Fund
Harry B. Roberts Fund for Education
Louise H. Roberts Fund for Children
Richard H. Roberts Fund
John-David W. Roddy Family Fund
Katherine Collins Roddy and J. P. Roddy, Sr. Fund
Fielding and Joyce Rolston Foundation Fund
Emily and Morton Rose Fund
Greg and Susan Roth Fund
Anonymous Fund
Philip H. Schrader Donor Advised Fund
Schroeder Foundation Fund
Alan and Sally Sefton Donor Advised Fund
Selah Fund
Evelyn W. and Arthur G. Seymour Fund
Shelby Family Charitable Fund
Edward and Donna Spray Fund
Stewardship Fund
Harry and Sarah Stowers Donor Advised Fund
Substance Abuse Fund for Education
Summers Family Fund
Sustainable Future Fund
Swain Family Fund
Dr. Donald and Carole Tarr Fund
THOM Fund
Tweed Fund
TYG Fund
Valentine-Hart Fund for Cocke County
Blanche P. & Emmet P. Vaughn Fund
W. J. M. Family Fund
WALMAC Fund
David Paine Waters FLP Fund
John B. and Patsy Waters Fund
Charlotte S. Watson Charitable Fund
Welch Family Charitable Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**DONOR ADVISED FUNDS (Continued)**

WHAS Fund
 White Fund
 Mr. and Mrs. Kent C. Withers Donor Advised Fund
 Mr. and Mrs. Kent C. Withers Fund
 Betsy Worden Memorial Arts Fund
 Uster Technologies Fund
 Courtney and Kevin Zirkle Family Fund

OPERATING FUNDS

These funds provide an ongoing source of support for the operations of the Foundation.

Fowler Operating Endowment Fund
 Operating Fund
 Unrestricted Cash Reserves

CHARITABLE TRUSTS AND GIFT ANNUITIES

Charitable Remainder Trusts provide an income for the donor or a family member while providing an up-front tax deduction for the remainder that will be left to the Foundation. Charitable Lead Trusts provide an immediate gift to the Foundation for a period of years with the remainder going back to the donor or family members. Trusts are drawn up by donors' attorneys, but Foundation staff can assist in determining tax savings and the amount of income available to donors. As with other types of gifts, trust assets can establish any type of fund within the Foundation and can be used to benefit the causes that most touch the donor's heart.

The following is a listing of all Charitable Trusts and Gift Annuities, for which the Foundation is Trustee, during 2010:

Elyse Adamson Charitable Remainder Unitrust
 Beall Charitable Trust
 Samuel E. Beall, Jr. Charitable Lead Unitrust
 Anne P. Church Charitable Remainder Unitrust
 Credit Bureau of Knoxville, Inc. Charitable Remainder Unitrust
 John Compton French, Sr. Charitable Remainder Annuity Trust
 John M. Jones Charitable Remainder Unitrust
 Richard M. Licht Charitable Remainder Unitrust
 W. H. Swain Charitable Remainder Unitrust
 Ned Stevenson Williams Gift Annuity

SPECIAL PROJECT FUNDS

The following is a listing of all Special Project Funds during 2010:

75th Suffrage Anniversary Coalition Fund
 James Agee Park Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)16. Component Funds (Continued)**SPECIAL PROJECT FUNDS (Continued)**

Clothesline of Quilts Across Appalachia Project Fund
 Handmade in America Model Special Project
 Knox Achieves Fund
 Knox Achieves Fund - Project Expenses
 Museum of American Presidents Fund

17. Supporting Foundations

Supporting organizations are separate 501(c)(3) organizations that qualify as public charities because they have a close relationship with other publicly supported section 501(c)(3) organizations. To be categorized as a public charity, supporting organizations are described in section 509(a)(3), and must have a particular type of structural relationship with the supported organization. East Tennessee Foundation's supporting organizations, as below listed, are classified as Type 1 supporting organizations, whereby the Foundation's Board of Directors appoints a majority of the boards of the supporting organizations.

East Tennessee Foundation's supporting organizations operate as separate nonprofit entities established by trust or charter; however, these organizations have been consolidated with East Tennessee Foundation in these financial statements. East Tennessee Foundation has the following supporting foundations:

The **East Tennessee Supporting Foundation** was created in 1994 to accept gifts of real estate for East Tennessee Foundation.

The **Cornerstone Foundation of Knoxville** was established with the purpose of serving as a catalyst for Knoxville to reach its God-given potential as a community. It is proactive in seeking out programs, projects, and partners that further its current strategic priorities, including long-term investment in children, community oriented leadership development and support, and partnership initiatives. It also manages Two Rivers Pavilion, a facility available for use by nonprofit organizations, churches, youth groups, and community organizations and owns 4MS, LLC, a multi-faceted economic development initiative in downtown Knoxville.

An **anonymous foundation** was created with the remainder interest from a charitable remainder unitrust and will provide for the education, health and religious needs of citizens of Cocke County, Tennessee.

The **Blalock Family Foundation** was established as a supporting organization in 1999 for educational, religious, literary and charitable purposes and will primarily benefit citizens of Sevier County and the East Tennessee region.

The **Knoxville Jewish Community Family of Funds** was created as a supporting organization in 1999 and will support and enhance the aims and goals of the Jewish community in East Tennessee and contribute to the quality of life and culture in the U.S.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)17. Supporting Foundations (Continued)**Knoxville Jewish Community Family of Funds (Continued)**

Descriptions of the various funds of the Knoxville Jewish Community Family of Funds at December 31, 2010 are as follows:

Donor Advised Funds:

Jeff and Nancy Becker Family Community Enrichment Fund
 Bernard E. and Barbara W. Bernstein Charitable Fund
 Harry and Mollie Brietstein Fund
 Sharon Brietstein Memorial Fund
 EAR Fund
 Goldstein/Tygum Family Fund
 Sylvia Greenberg Family Fund
 Miriam's Well Fund
 David and Deborah Oleshansky Family Fund
 Ted and Dolly Reback Knoxville Youth Fund
 Natalie and Mitchell Robinson Community Enrichment Fund
 Pace and Karen Robinson Philanthropic Fund
 Sam and Esther Rosen Enrichment Fund - Arnstein Jewish Community Center
 Sam and Esther Rosen Enrichment Fund - Heska Amuna Synagogue
 Sam and Esther Rosen Enrichment Fund - Knoxville Jewish Federation
 Stephen and Kim Rosen Donor Advised Fund

B'nai Tzedek Donor Advised Funds

B'nai Tzedek Youth Philanthropy Fund
 Elliot Baerman B'nai Tzedek Fund
 Jensine Baerman B'nai Tzedek Fund
 Harris W. Bailey B'nai Tzedek Fund
 Nathan Bendriem B'nai Tzedek Fund
 Samuel Bendriem B'nai Tzedek Fund
 Bryan Berube B'nai Tzedek Fund
 Hila Blumenthal B'nai Tzedek Fund
 Lilia Brock B'nai Tzedek Fund
 Logan Brown B'nai Tzedek Fund
 Rachel Brown B'nai Tzedek Fund
 Stephen Brown B'nai Tzedek Fund
 Abby Caplan B'nai Tzedek Fund
 Aaron Chasan B'nai Tzedek Fund
 Clark Derrington B'nai Tzedek Fund
 Talia Dessel B'nai Tzedek Fund
 Michael Dryzer B'nai Tzedek Fund
 Noah Erwin B'nai Tzedek Fund
 David Floyd B'nai Tzedek Fund
 Jennifer Frost B'nai Tzedek Fund
 Mara Hahn B'nai Tzedek Fund
 Samantha Hull B'nai Tzedek Fund
 Rachel Iroff B'nai Tzedek Fund
 Iain Konigsberg B'nai Tzedek Fund
 Zach Kramer B'nai Tzedek Fund

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)17. Supporting Foundations (Continued)**B'nai Tzedek Donor Advised Funds (Continued)**

Will Kronick B'nai Tzedek Fund
 Jenney Merrell B'nai Tzedek Fund
 Andrew Messing B'nai Tzedek Fund
 Zach Messing B'nai Tzedek Fund
 Michael Newman B'nai Tzedek Fund
 Evan Noon B'nai Tzedek Fund
 Keaton Noon B'nai Tzedek Fund
 Bryna Oleshansky B'nai Tzedek Fund
 Rae Oleshansky B'nai Tzedek Fund
 Blake Parsons B'nai Tzedek Fund
 Hazak Parsons B'nai Tzedek Fund
 Leah Pearl B'nai Tzedek Fund
 Michael Pearl B'nai Tzedek Fund
 Stephanie Pfeffer-Rodriquez B'nai Tzedek Fund
 Vanessa Pfeffer-Rodriquez B'nai Tzedek Fund
 Ben Pollack B'nai Tzedek Fund
 Ethan Pollack B'nai Tzedek Fund
 Connor Reis B'nai Tzedek Fund
 Ethan Roseman B'nai Tzedek Fund
 Seth Roseman B'nai Tzedek Fund
 Nathan Rosen B'nai Tzedek Fund
 Jessica Rosenberg B'nai Tzedek Fund
 Abigail Sayles B'nai Tzedek Fund
 Ethan Schulz B'nai Tzedek Fund
 Sam Seifert B'nai Tzedek Fund
 Emma Silver-Alford B'nai Tzedek Fund
 Lilly Silver-Alford B'nai Tzedek Fund
 Max Silver-Alford B'nai Tzedek Fund
 Ethan Snow B'nai Tzedek Fund
 Zach Snow B'nai Tzedek Fund
 Elizabeth Spenser B'nai Tzedek Fund
 Ariel Spiegelman B'nai Tzedek Fund
 Brittany Spiegelman B'nai Tzedek Fund
 Jolie Spiegelman B'nai Tzedek Fund
 Justin Spiegelman B'nai Tzedek Fund
 Britt Sturm B'nai Tzedek Fund
 Ethan Sturm B'nai Tzedek Fund
 Sam Talman B'nai Tzedek Fund
 Brian Michael Weinstein B'nai Tzedek Fund
 Rachel Zoldessy B'nai Tzedek Fund

Designated Fund:

Rosenthal Environment Fund

Unrestricted Fund:

Knoxville Jewish Community Family of Funds

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)17. Supporting Foundations (Continued)**Organization/Agency Endowment Funds:**

The following is a listing of all Organization/Agency Endowment Funds during 2010:

Heska Amuna Synagogue Cemetery Fund
Bradley Sturm Memorial Fund for the benefit of Heska Amuna Synagogue
Frances Sturm Cultural Fund of the Jewish Congregation of Oak Ridge

The following funds were established by the Knoxville Jewish Alliance for its benefit, supplying it with an ongoing source of support, security and stability:

Alliance Opportunity Fund
Arnstein Jewish Community Center Endowment Fund
David Blumberg Young Leadership Award Fund
William "Bill" Brody Fund
Gordon Brown Youth Recreation Fund
Cohen-Presser Designated Fund
Abe Collins Cultural Fund
Milton Collins Cultural Fund
Sam and Millie Gelber Fund for Jewish Immigrants
Alice Greenberg Fund
Heska Amuna Educators Supplement Fund
Heska Amuna Synagogue Cemetery Fund
Jewish Family Service Fund
KJA Director's Fund
Zelda and Max M. Morrison Cultural Enrichment Fund
Sylvia Robinson Memorial Fund
Allen Rosen Education Fund
Sam and Esther Rosen Friendship Fund
Dr. Bernard S. Rosenblatt Fund
Miles and Zelda Siegel Fund for Knoxville's Jewish Elderly
Bradley Sturm Memorial Fund
Frances Sturm Cultural Fund of the Jewish Congregation of Oak Ridge
Zionist Organization Fund
Ben and Pearl Zwick Fund

The **Public School Forum of East Tennessee** was created in 2002 to support public education in a multi-county area in Middle East Tennessee, including but not limited to Anderson, Blount, Grainger, Jefferson, Knox, Loudon, Roane, Sevier and Union counties. It will support initiatives that: 1) create passion for excellence, community support and positive change within the school systems; 2) build strong school leadership; 3) are supported by measurable data and the attainment of critical results based on improved student achievement; and, 4) support development of excellent teachers.

The **Chapman Family Foundation** was created in 2003 through a testamentary gift from Robert G. Chapman for educational, religious, literary, and charitable purposes in accordance with the purposes, goals, objectives and priorities of East Tennessee Foundation.

EAST TENNESSEE FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)17. Supporting Foundations (Continued)

The **Clayton Foundation** was created in 2003 for educational, religious, and charitable purposes in accordance with the purposes, goals, objectives and priorities of East Tennessee Foundation. In this connection, the Clayton Foundation intends: (a) to benefit the public through programs and activities that encourage community-building, leadership, personal development, and individual responsibility; (b) to encourage community and economic development in and around Knoxville, Tennessee and other communities in the State of Tennessee; and, (c) to promote consensus and encourage broad based charitable giving by increasing cooperation between charitable foundations, state, local and federal governments, private businesses and individuals.

The **Education Consumers Foundation** was created in 2005 to advance the interests of parent groups, school boards, college trustees, legislative committees, and civic organizations by gathering and disseminating information about education policy and practice.

18. Subsequent Events

Subsequent events were evaluated through June 30, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

EAST TENNESSEE FOUNDATION
 SCHEDULE OF OTHER PROGRAM, MANAGEMENT
 AND GENERAL, AND FUND-RAISING EXPENSES

Year Ended December 31, 2010

	Other Program Expenses	Management and General Expenses	Fund-Raising Expenses	Total
Salaries and wages	\$ 445,003	\$ 354,493	\$ 231,652	\$ 1,031,148
Pension plan contributions	14,867	10,490	8,853	34,210
Other benefits	34,123	30,261	21,020	85,404
Payroll taxes	31,004	26,747	18,165	75,916
Fees for services	154,649	285,603	28,285	468,537
Advertising and promotion	154,491	670	15,776	170,937
Office expenses	23,075	22,774	13,153	59,002
Information technology	24,794	20,602	11,850	57,246
Occupancy	69,997	55,406	31,092	156,495
Travel	47,148	9,675	4,369	61,192
Conferences and meetings	13,177	3,005	2,721	18,903
Depreciation	198,258	16,803	3,932	218,993
Insurance	11,090	13,331	5,880	30,301
Dues and subscriptions	-	1,702	4,463	6,165
Landscaping	39,826	-	-	39,826
Professional development	666	1,944	1,772	4,382
Federal, state and local taxes	-	180	28,730	28,910
Event expenses	-	-	62,479	62,479
Other expenses	196,520	26,203	1,604	224,327
	<u>\$ 1,458,688</u>	<u>\$ 879,889</u>	<u>\$ 495,796</u>	<u>\$ 2,834,373</u>

See independent auditor's report.