

NORTH STAR FUND, INC.

FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

NORTH STAR FUND, INC.
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JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Star Fund, Inc.

I have audited the accompanying statements of financial position of North Star Fund, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of North Star Fund's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Star Fund's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Star Fund, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pisani CPA, LLC

Pisani CPA, LLC
Brentwood, NY

October 4, 2010

NORTH STAR FUND, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

<u>ASSETS</u>		
	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	\$ 1,839,837	\$ 824,383
Investments	1,038,893	289,542
Promises to give	1,855,392	87,110
Accounts receivable	9,488	962
Prepaid expenses	2,798	5,797
Total current assets	4,746,408	1,207,794
Property and equipment		
Less - accumulated depreciation	192,837	193,702
Net property and equipment	84,007	65,815
Other assets	14,341	14,341
Long-term assets		
Cash restricted for endowment	1,000,000	1,000,000
Total assets	\$ 5,869,579	\$ 2,350,022
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,395	\$ 5,874
Accrued compensated absences	7,165	10,646
Grants payable	241,000	-
Accrued rent	52,437	51,214
Loan payable	20,000	20,000
Total current liabilities	328,997	87,734
Net assets		
Unrestricted	2,026,812	837,456
Temporarily restricted	2,513,770	424,832
Permanently restricted	1,000,000	1,000,000
Total net assets	5,540,582	2,262,288
Total liabilities and net assets	\$ 5,869,579	\$ 2,350,022

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

NORTH STAR FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 907,292	\$ 3,803,370	\$ -	\$ 4,710,662
Contributed marketable securities	1,016,201	-	-	1,016,201
Interest and dividend income	48,239	747	-	48,986
Realized loss on investments	(10,700)	-	-	(10,700)
Unrealized loss on investments	(4,957)	-	-	(4,957)
Administrative fees	132,367	-	-	132,367
Miscellaneous revenue	4,605	-	-	4,605
Special events, gross proceeds	443,263	-	-	443,263
Less: Direct benefits to donors	(83,347)	-	-	(83,347)
Net proceeds from special events	<u>359,916</u>	<u>-</u>	<u>-</u>	<u>359,916</u>
Net assets released from restrictions	<u>1,715,179</u>	<u>(1,715,179)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>4,168,142</u>	<u>2,088,938</u>	<u>-</u>	<u>6,257,080</u>
Expenses				
Program services	2,559,539	-	-	2,559,539
Supporting services				
Management and general	186,640	-	-	186,640
Fundraising	<u>232,607</u>	<u>-</u>	<u>-</u>	<u>232,607</u>
Total supporting services	<u>419,247</u>	<u>-</u>	<u>-</u>	<u>419,247</u>
Total expenses	<u>2,978,786</u>	<u>-</u>	<u>-</u>	<u>2,978,786</u>
Change in net assets	1,189,356	2,088,938	-	3,278,294
Net Assets, beginning of year	<u>837,456</u>	<u>424,832</u>	<u>1,000,000</u>	<u>2,262,288</u>
Net Assets, end of year	<u>\$ 2,026,812</u>	<u>\$ 2,513,770</u>	<u>\$ 1,000,000</u>	<u>\$ 5,540,582</u>

The accompanying notes are an integral part of these statements.

NORTH STAR FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 329,551	\$ 1,684,014	\$ -	\$ 2,013,565
Contributed marketable securities	370,588	-	-	370,588
Interest and dividend income	52,692	3,847	-	56,539
Realized loss on investments	(10,461)	-	-	(10,461)
Unrealized loss on investments	(69,701)	-	-	(69,701)
Administrative fees	14,821	-	-	14,821
Miscellaneous revenue	3,261	-	-	3,261
Special events, gross proceeds	431,637	-	-	431,637
Less: Direct benefits to donors	(70,446)	-	-	(70,446)
Net proceeds from special events	<u>361,191</u>	<u>-</u>	<u>-</u>	<u>361,191</u>
Net assets released from restrictions	<u>1,518,023</u>	<u>(1,518,023)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,569,965</u>	<u>169,838</u>	<u>-</u>	<u>2,739,803</u>
Expenses				
Program services	2,297,474	-	-	2,297,474
Supporting services				
Management and general	155,782	-	-	155,782
Fundraising	<u>327,012</u>	<u>-</u>	<u>-</u>	<u>327,012</u>
Total supporting services	<u>482,794</u>	<u>-</u>	<u>-</u>	<u>482,794</u>
Total expenses	<u>2,780,268</u>	<u>-</u>	<u>-</u>	<u>2,780,268</u>
Change in net assets	(210,303)	169,838	-	(40,465)
Net Assets, beginning of year	<u>1,047,759</u>	<u>254,994</u>	<u>1,000,000</u>	<u>2,302,753</u>
Net Assets, end of year	<u>\$ 837,456</u>	<u>\$ 424,832</u>	<u>\$ 1,000,000</u>	<u>\$ 2,262,288</u>

The accompanying notes are an integral part of these statements.

NORTH STAR FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Supporting Services			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 258,169	\$ 91,891	\$ 87,515	\$ 437,575
Fringe benefits	32,142	11,440	10,895	54,477
Payroll taxes	24,693	8,789	8,371	41,853
	<u>315,004</u>	<u>112,120</u>	<u>106,781</u>	<u>533,905</u>
Other expenses				
Advertising	\$ 2,255	\$ -	\$ 2,255	\$ 4,510
Bad debt expense	-	1,750	-	1,750
Conferences	4,405	-	-	4,405
Consultants	91,465	4,037	48,524	144,026
Depreciation	11,712	4,169	3,970	19,851
Donor advised grants	1,453,950	-	-	1,453,950
Dues and subscriptions	1,832	652	621	3,105
Equipment rental	2,988	1,063	1,013	5,064
Event expense	14,171	-	30,859	45,030
Grants to others	535,491	-	-	535,491
Insurance	-	4,364	-	4,364
Miscellaneous	1,869	-	2,269	4,138
Occupancy	55,168	19,637	18,701	93,506
Office expense	7,283	14,405	2,469	24,157
Postage and delivery	2,415	860	819	4,094
Printing and reproduction	23,864	289	9,873	34,026
Professional fees	1,440	14,116	-	15,556
Supplies	4,671	1,663	1,584	7,918
Technical assistance	20,740	-	-	20,740
Telephone	2,479	882	840	4,201
Tithing	-	4,502	-	4,502
Travel	62	22	21	105
Utilities	5,925	2,109	2,008	10,042
Website maintenance	350	-	-	350
	<u>2,244,535</u>	<u>74,520</u>	<u>125,826</u>	<u>2,444,881</u>
Total other expenses				
Expenses reported by function	<u>\$ 2,559,539</u>	<u>\$ 186,640</u>	<u>\$ 232,607</u>	<u>\$ 2,978,786</u>

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

NORTH STAR FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Supporting Services			
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>		
Employee Compensation				
Salaries	\$ 199,429	\$ 58,016	\$ 105,154	\$ 362,599
Fringe benefits	25,282	7,355	13,331	45,968
Payroll taxes	17,608	5,122	9,284	32,014
	<u>242,319</u>	<u>70,493</u>	<u>127,769</u>	<u>440,581</u>
Other expenses				
Advertising	\$ 1,780	\$ 518	\$ 938	\$ 3,236
Bad debt expense	-	4,250	-	4,250
Conferences	5,381	-	-	5,381
Consultants	62,786	724	64,737	128,247
Depreciation	11,975	3,484	6,314	21,773
Donor advised grants	1,330,988	-	-	1,330,988
Dues and subscriptions	1,877	546	990	3,413
Equipment rental	2,758	802	1,454	5,014
Event expense	-	-	53,457	53,457
Grantee programs	1,972	-	-	1,972
Grants to others	517,277	-	-	517,277
Insurance	-	4,312	-	4,312
Miscellaneous	45	7,944	3,424	11,413
Occupancy	51,428	14,962	27,116	93,506
Office expense	10,427	3,031	5,498	18,956
Postage and delivery	1,755	511	925	3,191
Printing and reproduction	19,943	490	24,189	44,622
Professional fees	-	12,012	-	12,012
Supplies	5,914	1,720	3,118	10,752
Technical assistance	8,756	-	-	8,756
Telephone	1,870	544	986	3,400
Tithing	-	27,822	-	27,822
Travel	140	41	74	255
Utilities	5,419	1,576	2,857	9,852
Website maintenance	12,664	-	3,166	15,830
	<u>2,055,155</u>	<u>85,289</u>	<u>199,243</u>	<u>2,339,687</u>
Total other expenses				
Expenses reported by function	<u>\$ 2,297,474</u>	<u>\$ 155,782</u>	<u>\$ 327,012</u>	<u>\$ 2,780,268</u>

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

NORTH STAR FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 3,278,294	\$ (40,465)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,851	21,773
Realized loss on investments	10,700	10,461
Unrealized loss on investments	4,957	69,701
Contribution of marketable securities	(1,016,201)	(370,588)
Change in operating assets and liabilities		
Decrease (increase) in promises to give	(1,768,282)	13,459
Decrease (increase) in accounts receivable	(8,526)	7,081
Decrease in prepaid expenses	2,999	248
Increase (decrease) in accounts payable and accrued expenses	2,521	(95)
Decrease in accrued compensated absences	(3,481)	(3,537)
Increase (decrease) in grants payable	241,000	(188,192)
Increase in accrued rent	1,223	3,474
Net cash provided (used) by operating activities	<u>765,055</u>	<u>(476,680)</u>
Cash flows from investing activities		
Purchase of property, equipment and leasehold improvements	(794)	(1,422)
Purchase of investments	(155,633)	-
Proceeds from sale of investments	406,826	416,312
Net cash provided by investing activities	<u>250,399</u>	<u>414,890</u>
Net increase (decrease) in cash and cash equivalents	1,015,454	(61,790)
Cash and cash equivalents, beginning of year	<u>824,383</u>	<u>886,173</u>
Cash and cash equivalents, end of year	<u>\$ 1,839,837</u>	<u>\$ 824,383</u>
Supplemental Information		
Non-cash transactions		
Contributed equity securities	<u>\$ 1,016,201</u>	<u>\$ 370,588</u>
The non-cash contributions have been recorded in the following accounts.		
Investments	<u>\$ 1,016,201</u>	<u>\$ 370,588</u>

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

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies**

Nature of Activities

In 1979, a network of 28 young visionaries established North Star Fund — a foundation that forged a new approach to giving. Inspired by the era's movements for social justice, they created a collaborative, activist-led philanthropy. For three decades, North Star Fund has remained an agile, community-driven foundation. Since 1979, it has distributed more than \$30.5 million to over 1,600 groups to fund innovative community organizing and grassroots activism. North Star Fund operates administrative offices in New York, NY. It is supported primarily through contributions and investment income.

Through funding programs in New York City, North Star Fund seeks to contribute to a transformed society by: an equitable distribution of wealth and resources, both within and beyond our national boundaries; the realization of democratic process through the exercise of political power by historically disempowered peoples and communities; the well-being of people and the environment placed above profit; an end to oppression and exploitation of people everywhere; peaceful and just settlements of conflict; freedom from institutional, cultural, and economic discrimination based on class, race, gender, age, disability, religion, or sexual orientation; and an affirmation of diversity, and respect for the dignity and inherent value of all individuals.

Grantmaking programs include: *Supporting innovation*: Our activist-led Community Funding Committee awards grants to New York's most effective and creative social change groups. *Developing skills*: Grantees learn financial management, fundraising, board development, and more through technical assistance programs. *Movement building*: North Star Fund links groups to share vision, strategy, and resources to build movements with deeper impact.

Donor programs include: *A philanthropy committed to change* : North Star Fund connects people with wealth to grassroots activism that challenges the root causes of social problems. *Organize donors to reflect our region*: Innovative programs engage people who give inherited wealth and earned income, professionals of color, and LGBT donors. *Donor advised services*: North Star Fund draws on its deep knowledge of community issues *and* its management expertise to help individuals, families, and foundation partners develop effective grantmaking strategies. *Beyond giving* : Through publications and workshops, it builds knowledge of socially responsible investing and progressive estate planning.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Nonprofit Status

North Star Fund was incorporated in 1978 and is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c) (3) of the Internal Revenue Code. Donors may deduct contributions made to North Star Fund within the requirements of the Internal Revenue Code.

Significant Accounting Policies

The following are the more significant accounting policies used in the preparation of the accompanying financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. North Star Fund reports 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.

Fair Value Measurements

North Star Fund defines fair value as the price 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.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) Nature of Activities, Nonprofit Status and Significant Accounting Policies (continued)

Revenue Recognition

North Star Fund's revenue consists of contributions and investment income. Unrestricted contributions intended for the current period are recognized when received. Restricted contributions are recorded as temporarily restricted support and net assets if they are received with donor stipulations that limit the use of the contributed assets. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a 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. Contributions having temporary restrictions which are met in the period they are received are reported as unrestricted. Permanently restricted net assets consist of endowment funds which have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted based on donor stipulations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Property and Equipment

Acquisitions of property and equipment with useful lives greater than one year are recorded at cost. Property and equipment acquisitions are depreciated using the straight-line method over the estimated useful lives of the assets.

Estimates

The preparation of financial statements in accordance with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, North Star Fund considers all highly liquid investments available for current use with an initial maturity date of three months or less to be cash equivalents.

Subsequent Events

North Star Fund has evaluated subsequent events through October 4, 2010 which is the date these financial statements were available to be issued.

(2) **Investments**

North Star Fund measures its investments at fair value, as defined in Note 1. Accordingly, North Star Fund uses a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs requiring the most observable inputs be used when available. The hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

Level 1 financial instruments are valued by observable inputs that reflect quoted prices for identical assets or liabilities in active markets that North Star Fund has the ability to access at the measurement date. Examples of Level 1 securities include highly liquid U.S. Treasury securities and exchange-traded securities.

Level 2 financial instruments are valued by quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs of which are observable. Examples of Level 2 securities include preferred stock and bond funds.

Level 3 financial instruments are valued using significant inputs which are unobservable. North Star Fund does not have Level 3 financial instruments.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(2) **Investments** (continued)

The following table presents the financial instruments recorded at fair value by North Star Fund as of June 30, 2010 and 2009:

	<u>2010</u>			<u>2009</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>	<u>Total</u>	
Mutual funds	\$ 276,927	\$ -	\$ 276,927	\$	135,902
Closed-end equity funds	62,606	-	62,606		59,042
Common stock	345,125	-	345,125		-
Preferred stock	-	57,230	57,230		44,520
Corporate bonds	-	161,092	161,092		-
Government bonds	-	135,913	135,913		50,078
	<u>\$ 684,658</u>	<u>\$ 354,235</u>	<u>\$ 1,038,893</u>	<u>\$</u>	<u>289,542</u>

Investment return consists of the following for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 48,986	\$ 56,539
Realized losses	(10,700)	(10,461)
Unrealized losses	<u>(4,957)</u>	<u>(69,701)</u>
Total investment return	<u>\$ 33,329</u>	<u>\$ (23,623)</u>

During the years ended June 30, 2010 and 2009, North Star Fund received contributions of marketable securities valued at \$1,016,201 and \$370,588, respectively.

(3) **Promises to Give**

Promises to give consisted of \$1,855,392 and \$87,110 at June 30, 2010 and 2009, respectively. Management expects all promises to give to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(4) Property and Equipment

Property and equipment, accumulated depreciation and the estimated useful lives as of June 30, 2010 and 2009 are as follows:

	Estimated Useful Lives		<u>2010</u>		<u>2009</u>
Leasehold improvements	10 years	\$	140,404	\$	140,404
Furniture and fixtures	5 years		17,188		17,188
Office equipment	5 years		35,245		36,110
			192,837		193,702
Less accumulated depreciation			84,007		65,815
Property and equipment, net		\$	108,830	\$	127,887

Depreciation expense was \$19,851 and \$21,773 for the years ended June 30, 2010 and 2009, respectively.

(5) Endowment

The Endowment

The endowment consists of one individual donor-restricted fund that has been established to generate unrestricted income. North Star Fund does not have any funds designated by the Board of Directors that functions as an endowment. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(5) **Endowment** (continued)

Interpretation of Relevant Law

The Board of Directors has interpreted the New York State Unified Management Institutional Funds Act (UMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, North Star Fund classifies as permanently restricted nets assets:

- The original value of gifts donated to the permanent endowment;
- The original value of subsequent gifts to the permanent endowment; and
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires North Star Fund to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2010 and 2009, respectively.

Return Objectives and Risk Parameters

North Star Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a combination of Certificates of Deposit and money market funds so as to provide sufficient liquidity while assuming an acceptable level of risk.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(5) **Endowment** (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

North Star Fund has a policy for appropriating for distribution each year 100% of the interest earned by the endowment. In establishing this policy, North Star Fund considered the long-term expected return on its endowment. Accordingly, over the long term, North Star Fund expects the current spending policy to allow its endowment to grow sufficiently to preserve or increase the purchasing power of its endowments. This is consistent with North Star Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

North Star Fund's assets are managed to produce growth and income based on the overall return concept.

Composition of and Changes in Endowment Net Assets for the Year Ended June 30, 2010

	<u>Beginning of Year</u>	<u>End of Year</u>
Donor-restricted endowment funds	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

All donor-restricted endowment funds are permanently restricted. There were no board-designated endowment funds at June 30, 2010 and 2009, respectively.

NORTH STAR FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

(6) Grants Payable

During the years ended June 30, 2010 and 2009, North Star Fund made grants to various community based organizations. Grants payable, in the amount of \$241,000 and \$0, represent the amount that has been committed for grants, but not yet paid as of June 30, 2010 and 2009, respectively. All grants are payable within the next twelve months.

(7) Loan Payable and Beneficiary of Charitable Remainder Trust

On December 24, 2004, North Star Fund entered into an interest free loan agreement for \$20,000 with the donor of a charitable remainder trust of which the North Star Fund is a beneficiary. The full amount of the loan is due upon the dissolution of the trust.

In March 2010, the donor of the charitable remainder trust passed away and the trust was dissolved. As a beneficiary of the trust, North Star Fund received \$829,806 which is recorded in Contributions and Contributed Marketable Securities on the Statement of Activities. In August 2010, North Star Fund repaid the loan to the donor's estate as stipulated in the loan agreement.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at June 30, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Donor-advised contributions	\$ 2,410,656	\$ 342,663
Program restrictions	78,114	82,169
Time restrictions	<u>25,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 2,513,770</u>	<u>\$ 424,832</u>

North Star Fund receives donor-advised contributions from various organizations and individuals. These donor-advised contributions are held by North Star Fund until such time that the donor recommends which organizations will be the recipient of the grant. These donor-advised contributions are recorded as temporarily restricted net assets because of donor imposed restrictions on the use of these assets by North Star Fund.

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(9) Permanently Restricted Net Assets

Permanently restricted net assets of \$1,000,000 consist of funds to establish the Betty Kapetanakis Memorial Endowment Fund. The interest generated from the endowment is unrestricted. Please refer to Note 5.

(10) Leasing Arrangements

On May 11, 2006, North Star Fund entered into a lease for its office facilities in New York, NY, which expires October 31, 2016. Rent expense was \$93,506 for each of the years ended June 30, 2010 and 2009, respectively, under the agreement. Future lease payments are:

2011	\$	94,589
2012		96,954
2013		99,378
2014		101,862
2015		104,409
Thereafter		170,821
Total	\$	668,013

Rent is recorded as expense using the straight-line method over the life of the lease. Rent expense recorded that exceeds amounts paid is recorded as accrued rent. Accrued rent was \$52,437 and \$51,214 at June 30, 2010 and 2009, respectively.

(11) Related Party Transactions

During the years ended June 30, 2010 and 2009, North Star Fund awarded grants totaling \$1,500 and \$35,000, respectively to an organization which employs a board member. The board member did not participate in the grant funding process.

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(12) Concentration of Revenue Source

For the years ended June 30, 2010 and 2009, 20% and 34% of contributions were received from one contributor, respectively. During the year ended June 30, 2008, North Star Fund entered into an agreement with a donor-advised partner who is interested in making large grants in the South Bronx. This partnership is bringing significant resources to a marginalized area of New York City and is forecasted to continue through 2010.

For the year ended June 30, 2010, 41% of contributions were received from one contributor. During the year ended June 30, 2010, the New York State Public Service Commission selected North Star Fund as Greening Projects Administrator to develop a grantmaking program that will result in nearly \$7.9 million in grants to green the infrastructure of neighborhoods in Western Queens.

(13) Retirement Plan

North Star Fund has a contributory, defined contribution retirement plan for all eligible employees. Total retirement expense for the years ended June 30, 2010 and 2009 was \$5,208 and \$4,250, respectively.