

**Community Foundation
of Northern Colorado**

Fort Collins, Colorado

Financial Statements

June 30, 2008 and 2007

Community Foundation of Northern Colorado

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Independent Auditor's Report

Board of Trustees
Community Foundation of Northern Colorado
Fort Collins, Colorado

We have audited the accompanying statement of financial position of the Community Foundation of Northern Colorado as of June 30, 2008, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Community Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Community Foundation of Northern Colorado as of June 30, 2007, were audited by other auditors whose report dated December 14, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Northern Colorado as of June 30, 2008, and the results of its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Fort Collins, Colorado
November 13, 2008

Community Foundation of Northern Colorado

Statements of Financial Position

June 30	2008	2007
ASSETS		
Cash and cash equivalents	\$ 549,438	\$ 165,549
Receivables		
Pledges, net of allowance of \$10,000 at 2008 and \$15,000 at 2007	20,800	73,200
Notes	43,419	32,305
Prepaid expenses and other assets	22,005	22,103
Investments	36,191,566	36,259,486
Property and equipment, net	947,473	992,586
 Total assets	 <u>\$ 37,774,701</u>	 <u>\$ 37,545,229</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 41,949	\$ 33,831
Grants payable	8,198	7,920
Liability under split-interest agreements	689,423	525,790
Assets held for agency funds	6,141,326	5,040,536
Deferred revenue	-	1,500
Total liabilities	<u>6,880,896</u>	<u>5,609,577</u>
Net Assets		
Unrestricted	29,498,027	30,410,410
Temporarily restricted	1,395,778	1,525,242
Total net assets	<u>30,893,805</u>	<u>31,935,652</u>
 Total liabilities and net assets	 <u>\$ 37,774,701</u>	 <u>\$ 37,545,229</u>

The accompanying Notes are an integral
part of these financial statements

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Community Foundation of Northern Colorado

Statements of Activities

Years ended June 30

2008

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 5,677,093	\$ 69,869	\$ 5,746,962
Less: agency funds contributed	1,538,895	-	1,538,895
Net contributions	4,138,198	69,869	4,208,067
Net investment earnings	-	-	-
Management fees	61,244	-	61,244
Leasing income	31,513	-	31,513
Other revenue	1,500	-	1,500
Net assets released from restrictions	83,509	(83,509)	-
Total revenues, gains and other support	<u>4,315,964</u>	<u>(13,640)</u>	<u>4,302,324</u>
Expenses and Losses			
Grantmaking and program expenses	2,992,817	-	2,992,817
Less: agency funds grants	43,256	-	43,256
Net grantmaking and program expenses	2,949,561	-	2,949,561
Net investment losses	1,794,343	62,477	1,856,820
Supporting services	298,563	-	298,563
Fundraising expenses	167,855	-	167,855
Leasing activity expenses	18,025	-	18,025
Total expenses and losses	<u>5,228,347</u>	<u>62,477</u>	<u>5,290,824</u>
Revenue Over (Under) Expenses	(912,383)	(76,117)	(988,500)
Other Changes:			
Actuarial gain (loss) on life income agreement	-	(53,347)	(53,347)
Change in Net Assets	(912,383)	(129,464)	(1,041,847)
Net Assets, Beginning of Year	<u>30,410,410</u>	<u>1,525,242</u>	<u>31,935,652</u>
Net Assets, End of Year	<u>\$ 29,498,027</u>	<u>\$ 1,395,778</u>	<u>\$ 30,893,805</u>

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 5,053,737	\$ 607,443	\$ 5,661,180
1,711,488	-	1,711,488
<u>3,342,249</u>	<u>607,443</u>	<u>3,949,692</u>
3,980,203	49,337	4,029,540
43,575	-	43,575
31,941	-	31,941
-	-	-
54,592	(54,592)	-
<u>7,452,560</u>	<u>602,188</u>	<u>8,054,748</u>
4,415,306	-	4,415,306
18,850	-	18,850
<u>4,396,456</u>	<u>-</u>	<u>4,396,456</u>
-	-	-
250,259	-	250,259
181,486	-	181,486
17,504	-	17,504
<u>4,845,705</u>	<u>-</u>	<u>4,845,705</u>
2,606,855	602,188	3,209,043
-	55,305	55,305
2,606,855	657,493	3,264,348
<u>27,803,555</u>	<u>867,749</u>	<u>28,671,304</u>
<u>\$ 30,410,410</u>	<u>\$ 1,525,242</u>	<u>\$ 31,935,652</u>

The accompanying Notes are an integral
part of these financial statements

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Community Foundation of Northern Colorado

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2008	2007
Cash Flows From Operating Activities		
Cash received from contributors	\$ 5,467,603	\$ 5,920,906
Interest and dividends received	920,542	616,209
Other cash receipts	31,514	75,516
Cash paid to grantees, beneficiaries of split-interest agreements, employees, and suppliers	(3,634,393)	(5,034,681)
Net cash provided by operating activities	<u>2,785,266</u>	<u>1,577,950</u>
Cash Flows From Investing Activities		
Net change in investments	(2,383,568)	(1,766,902)
Payments received on notes receivable	12,069	11,811
Advances made on notes receivable	(23,183)	-
Proceeds from sale of property and equipment	-	300
Purchases of property and equipment	(6,695)	(57,176)
Net cash used by investing activities	<u>(2,401,377)</u>	<u>(1,811,967)</u>
Increase (Decrease) in Cash and Cash Equivalents	383,889	(234,017)
Cash and Cash Equivalents, Beginning of Year	165,549	399,566
Cash and Cash Equivalents, End of Year	\$ 549,438	\$ 165,549
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	\$ (1,041,847)	\$ 3,264,348
Adjustments:		
Contribution of investments	(545,898)	(237,796)
Net realized and unrealized gain on investments	2,578,530	(3,986,645)
Depreciation	50,002	53,065
Actuarial gain on life income agreements	53,347	(55,305)
Loss on sale of property	1,806	7,023
Adjustment to allowance for uncollectible pledges receivable	(5,000)	-
(Increase) decrease in operating assets:		
Pledges receivable	57,400	48,130
Interest receivable	(19,343)	(13,309)
Prepaid expenses and other assets	98	(3,710)
Accounts payable and accrued liabilities	8,118	8,946
Grants payable	278	(184,842)
Deferred revenue	(1,500)	1,500
Liability on split-interest agreement	109,404	447,892
Assets held for agency funds	1,539,871	2,228,653
Net cash provided by operating activities	<u>\$ 2,785,266</u>	<u>\$ 1,577,950</u>

The accompanying Notes are an integral part of these financial statements

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Community Foundation of Northern Colorado

Notes to Financial Statements

June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Community Foundation of Northern Colorado ("the Community Foundation"), conform to accounting principles generally accepted in the United States of America. The following summary of significant accounting policies is presented to assist the reader in evaluating the financial statements of the Community Foundation.

Organization and Activities. The Community Foundation was formed to receive, administer, and disburse funds for public, charitable, educational, scientific or literary purposes with emphasis on education, human services, health, community development, and arts and humanities. The Community Foundation exists to encourage and strengthen philanthropy, to provide opportunities to improve the quality of life in Northern Colorado communities, and to benefit future generations.

The Community Foundation receives gifts from individuals, foundations, and organizations and places them into individual funds that match the giving priorities of the donors. The majority of the gifts are endowment gifts, which are preserved into perpetuity subject to the variance power discussed below. The income from endowment gifts is returned to the community through grants to area not-for-profit organizations.

Under the current spending policy, the Community Foundation appropriates five percent of the market value of assets calculated on the average of the trailing sixteen quarters in the current year for grantmaking.

Basis of Presentation. The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when grants are approved and materials or services are received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Pursuant to the Community Foundations' Articles of Incorporation, the Community Foundations' fund agreements with donors contain a "variance power" provision that allows the Board of Trustees to modify or eliminate any designation, restriction or condition on the distribution of funds for any specified charitable purposes or as to specified organizations if such designation, restriction or condition becomes unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, absent a time restriction, contributions are recorded as unrestricted net assets. It is the expressed intention of the Community Foundation to honor the designations of donors; however, the Community Foundation reserves the right to exercise final control over all funds.

Net assets of the Community Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets. Net assets not subject to donor-imposed stipulations or subject to the variance power.

Community Foundation of Northern Colorado

Notes to Financial Statements

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets. Net assets subject to donor-imposed stipulations that may or will be met by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

A fund established with a contribution from an organization for the benefit of the contributing organization is classified as an agency fund. The activity in agency funds is reported as a change in the liability "Assets Held for Agency Funds".

Use of Estimates in the Preparation of Financial Statements. 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 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.

Cash and Cash Equivalents. For purpose of the statement of cash flows, the Community Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments. All investments in equity securities with readily determinable fair values and all debt securities are reported at fair values as determined by quoted market prices on national exchanges. Gains and losses reported in the statement of activities. Investments in water rights are presented at the lower of cost or market.

Property, Equipment, and Depreciation. Property and equipment is recorded at cost for purchased assets and at estimated fair value at the date of acquisition for donated assets. Depreciation is computed using the straight-line method over the estimated useful life of the assets which are forty years for buildings and improvements and three to ten years for furnishings and equipment.

Charitable Gift Annuities. The Community Foundation has received annuity gifts and charitable remainder trust gifts that require it to pay amounts periodically to the designated beneficiaries. The income is derived from resources the donor contributes under the annuity gift and charitable remainder trust arrangement. The present value of the actuarially determined liability for the future annuity payments is recorded at the date of the gift. The excess of the amount of the annuity gift over the liability for annuity payments is recorded as support in the year of the gift. Revaluation of the present value, using an effective discount rate of 3.8%, resulting from changes in actuarial assumptions is reported as changes in split-interest agreements in the statement of activities. Annuity obligation assumptions are reviewed periodically by management and estimates may be subject to change in the near term.

Community Foundation of Northern Colorado

Notes to Financial Statements

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions. Contributions, including unconditional promises to give (pledges) are recorded as received. Pledges receivable are recorded at the amount the Community Foundation expects to receive, allowing for estimated uncollectible pledges. At June 30, 2008, the pledges receivable due within one year total \$29,700 with the remainder due within three years. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In-kind Contributions. Donated goods and equipment are recorded at estimated fair values as revenue and expense, or capitalized assets, depending on the nature of the donation. In-kind contributions are used to support the mission of the Community Foundation.

Income Taxes. The Community Foundation is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been found not to be a private foundation under Internal Revenue Code.

Reclassifications. Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 reporting, without affecting the change in net assets.

Note 2 – Notes Receivable

Notes receivable consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
<u>External Notes Receivable</u>		
Patricia McLean Memorial Fund, interest at 6.125%, monthly payments of \$128 with balloon payment due December 2011	\$ 20,047	\$ 20,340
Loveland Methodist Foundation, noninterest-bearing note with quarterly payments of \$2,000 with final payment due April 2011	23,372	11,965
	<u>\$ 43,419</u>	<u>\$ 32,305</u>
<u>Internal Notes Receivable</u>		
(eliminated from financial statements)		
Mortgage receivable, interest at 6%, monthly principal and interest payments of \$4,334 with final payment due June 2036	\$ 704,602	\$ 714,027
Boettcher Challenge Grant Fund receivable from operations	-	41,535
	<u>\$ 704,602</u>	<u>\$ 755,562</u>

Community Foundation of Northern Colorado

Notes to Financial Statements

June 30, 2008

Note 2 – Notes Receivable (continued)

During 2006, the Community Foundation acquired real property used for its administrative offices and for commercial rental purposes. The Community Foundation acquired this property with fixed income funds and created an internal mortgage. For the years ended June 30, 2008 and 2007, the related interest was \$42,585 and \$43,132, respectively. This interest income and expense is eliminated in preparation of the accompanying financial statements.

Operating deficits during fiscal years 2001 and 2002 necessitated borrowing from the Beottcher Challenge Grant Fund. The Community Foundation board allocated grant-making funds to pay off the note balance during fiscal year 2008.

Note 3 – Investments

Long-term investments consisted of the following at June 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 1,194,822	\$ 1,194,822
Beneficial interests in trusteed assets	791,749	791,749
Mutual funds	28,394,602	27,983,873
U.S. Government obligations	3,976,665	4,089,091
Corporate debt securities	1,934,678	1,895,031
Water rights	237,000	237,000
	<u>\$ 36,529,516</u>	<u>\$ 36,191,566</u>

Long-term investments consisted of the following at June 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 1,574,660	\$ 1,574,660
Beneficial interests in trusteed assets	790,867	790,867
Note receivable	122,000	122,000
Mutual funds	25,714,915	28,899,345
U.S. Government obligations	4,388,246	4,390,748
Corporate debt securities	228,160	224,889
Water rights	237,000	237,000
Equity securities	15,967	19,977
	<u>\$ 33,071,815</u>	<u>\$ 36,259,486</u>

The Community Foundation has been designated as a 50% remainder beneficiary in a charitable trust held by a bank. The beneficial interest in trusteed assets is included above in total investments.

Domestic and international capital markets have experienced significant volatility with respect to certain securities. As a result, significant fluctuations in the fair value of investments may have occurred subsequent to June 30, 2008

Community Foundation of Northern Colorado

Notes to Financial Statements

June 30, 2008

Note 3 – Investments (continued)

Investment earnings consisted of the following for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 898,268	\$ 669,291
Net realized and unrealized gains (losses)	<u>(3,017,611)</u>	<u>3,979,622</u>
	(2,119,343)	4,648,913
Investment fees	(41,617)	(39,773)
Investment earnings (loss) of agency funds	<u>304,140</u>	<u>(579,600)</u>
Net investment earnings (losses)	<u>\$ (1,856,820)</u>	<u>\$ 4,029,540</u>

Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Land	\$ 225,000	\$ 225,000
Buildings and improvements	727,262	727,262
Furnishings and equipment	<u>160,724</u>	<u>157,756</u>
	1,112,986	1,110,018
Less accumulated depreciation	<u>165,513</u>	<u>117,432</u>
Net property and equipment	<u>\$ 947,473</u>	<u>\$ 992,586</u>

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Beneficial interest in trustee assets	\$ 1,374,978	\$ 1,452,042
Pledges receivable in future years	<u>20,800</u>	<u>73,200</u>
	<u>\$ 1,395,778</u>	<u>\$ 1,525,242</u>

Note 6 – Retirement Plan and Subsequent Event

The Community Foundation has a defined contribution plan under 403(b) of the Internal Revenue Code. The plan allows for eligible employees to make contributions to the plan under separate investment advisor agreements with no matching contributions from the Community Foundation. Effective July 1, 2008, the Board of Trustees authorized changes to the plan to require matching contributions equal to 100% of employee salary deferrals up to 3% of employee compensation and an additional matching contribution equal to 50% of employee salary deferrals on an additional 3% of employee compensation.

Community Foundation of Northern Colorado

Notes to Financial Statements June 30, 2008

Note 7 – Operating Leases

The Community Foundation purchased an office building in south Fort Collins, to be used for its administrative offices and for commercial rental purposes. The Community Foundation has a lease agreement with a tenant for office space that extends through September 2010.

Future minimum lease payments to be received are as follows for the years ending:

<u>Year</u>	
2009	\$ 24,800
2010	25,455
2011	4,261
	<u>\$ 54,516</u>

Note 8 – Related Parties and Concentrations

Related Party Transactions. The Foundation retains investment services with the First National Bank in Fort Collins, Colorado. Certain members of the Board of Trustees are also members of the Board of Directors of the bank. The Foundation paid investment fees to the bank totaling \$29,505 and \$27,183 for the years ended June 30, 2008 and 2007, respectively.

Concentrations. The Foundation enjoys broad-based support from the communities served. In any year, it may receive large gifts from a limited number of donors who may vary from year to year.

The Foundation routinely maintains cash balances in excess of federally insured limits. The funds are maintained in a high quality financial institution.

The Foundation's investments subject to credit risk consist primarily of mutual fund investments and debt securities. The credit risk is reduced by maintaining the investments in a variety of funds.