

JOHNSON KIGHTLINGER & COMPANY

**THE COMMUNITY FOUNDATION
SERVING BOULDER COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Consolidated Statements of Financial Position | 2 |
| Consolidated Statements of Activities | 3 |
| Consolidated Statements of Functional Expenses | 5 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to Consolidated Financial Statements | 8 |

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Community Foundation Serving Boulder County
Boulder, Colorado

We have audited the accompanying consolidated statements of financial position of The Community Foundation Serving Boulder County ("the Foundation") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 the Foundation's internal control over financial reporting. Accordingly, we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation Serving Boulder County as of December 31, 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.

Johnson Kightlinger & Company

JOHNSON KIGHTLINGER & COMPANY
Boulder, Colorado
August 15, 2011

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents (Note 1) | \$ 7,636,219 | \$ 6,030,815 |
| Contributions receivable (Note 2) | 1,903,139 | 1,274,696 |
| Notes receivable (Note 3) | 100,000 | 778,936 |
| Investments (Note 4) | 24,565,772 | 24,397,513 |
| Investments - charitable remainder trusts (Note 1) | 142,140 | 130,680 |
| Property and equipment, net (Note 5) | 8,078 | 20,180 |
| Prepaid expenses and other | 18,896 | 19,110 |
| Total assets | <u>\$ 34,374,244</u> | <u>\$ 32,651,930</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 12,614 | \$ 132 |
| Grants payable | 12,500 | - |
| Liability under split-interest agreement (Note 6) | 26,778 | 23,704 |
| Assets held for others (Note 8) | 1,636,699 | 1,471,871 |
| Total liabilities | <u>1,688,591</u> | <u>1,495,707</u> |
| COMMITMENT (Note 7) | | |
| NET ASSETS | | |
| Unrestricted | 30,307,806 | 29,208,118 |
| Temporarily restricted (Note 9) | <u>2,377,847</u> | <u>1,948,105</u> |
| Total net assets | <u>32,685,653</u> | <u>31,156,223</u> |
| Total liabilities and net assets | <u>\$ 34,374,244</u> | <u>\$ 32,651,930</u> |

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|---|----------------------|-----------------------------------|----------------------|
| REVENUE, GAINS AND SUPPORT | | | |
| Contributions (Note 8) | \$ 4,257,102 | \$ 1,855,249 | \$ 6,112,351 |
| Investment income - dividends and interest | 787,281 | - | 787,281 |
| In-kind donations (Note 11) | 87,717 | - | 87,717 |
| Program revenue | 94,737 | - | 94,737 |
| Investment management fees | 18,751 | - | 18,751 |
| Change in value of split interest agreements | - | 8,385 | 8,385 |
| Net assets released from restrictions (Note 9) | 1,433,892 | (1,433,892) | - |
| Total revenue and support | <u>6,679,480</u> | <u>429,742</u> | <u>7,109,222</u> |
| | | | |
| Net gain on investments - realized and unrealized (Note 4) | 1,787,323 | - | 1,787,323 |
| | | | |
| Total revenue, gains and support | <u>8,466,803</u> | <u>429,742</u> | <u>8,896,545</u> |
| | | | |
| EXPENSES AND LOSSES | | | |
| Program services - grants | 6,064,134 | - | 6,064,134 |
| Program services - other | 268,841 | - | 268,841 |
| Supporting services | 1,034,140 | - | 1,034,140 |
| Total expenses | <u>7,367,115</u> | <u>-</u> | <u>7,367,115</u> |
| | | | |
| INCREASE IN NET ASSETS | <u>1,099,688</u> | <u>429,742</u> | <u>1,529,430</u> |
| | | | |
| NET ASSETS - BEGINNING OF YEAR | <u>29,208,118</u> | <u>1,948,105</u> | <u>31,156,223</u> |
| NET ASSETS - END OF YEAR | <u>\$ 30,307,806</u> | <u>\$ 2,377,847</u> | <u>\$ 32,685,653</u> |

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|---|----------------------|-----------------------------------|----------------------|
| REVENUE, GAINS AND SUPPORT | | | |
| Contributions (Note 8) | \$ 4,161,606 | \$ 1,217,669 | \$ 5,379,275 |
| Investment income - dividends and interest | 851,496 | - | 851,496 |
| In-kind donations (Note 11) | 171,994 | - | 171,994 |
| Program revenue | 223,038 | - | 223,038 |
| Investment management fees | 15,102 | - | 15,102 |
| Change in value of split interest agreements | - | 15,153 | 15,153 |
| Net assets released from restrictions (Note 9) | 732,234 | (732,234) | - |
| Total revenue and support | <u>6,155,470</u> | <u>500,588</u> | <u>6,656,058</u> |
| | | | |
| Net gain on investments - realized and unrealized (Note 4) | 2,756,154 | - | 2,756,154 |
| | | | |
| Total revenue, gains and support | <u>8,911,624</u> | <u>500,588</u> | <u>9,412,212</u> |
| | | | |
| EXPENSES AND LOSSES | | | |
| Program services - grants | 5,606,200 | - | 5,606,200 |
| Program services - other | 300,951 | - | 300,951 |
| Supporting services | 1,104,739 | - | 1,104,739 |
| Total expenses | <u>7,011,890</u> | <u>-</u> | <u>7,011,890</u> |
| | | | |
| INCREASE IN NET ASSETS | <u>1,899,734</u> | <u>500,588</u> | <u>2,400,322</u> |
| | | | |
| NET ASSETS - BEGINNING OF YEAR | <u>27,308,384</u> | <u>1,447,517</u> | <u>28,755,901</u> |
| NET ASSETS - END OF YEAR | <u>\$ 29,208,118</u> | <u>\$ 1,948,105</u> | <u>\$ 31,156,223</u> |

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>PROGRAM SERVICES</u> | | | <u>SUPPORTING SERVICES</u> | | | <u>GRAND TOTAL</u> |
|---------------------------------------|--------------------------|--------------------------|---------------------|---|-------------------------|---------------------|------------------------|
| | <u>GRANT- MAKING</u> | <u>EDUCATION AND</u> | <u>TOTAL</u> | <u>MANAGE- MENT & GENERAL</u> | <u>FUND RAISING</u> | <u>TOTAL</u> | |
| Grants (Note 8) | \$ 5,814,307 | \$ - | \$ 5,814,307 | \$ - | \$ - | \$ - | \$ 5,814,307 |
| Salaries, payroll taxes, and benefits | 187,511 | 155,947 | 343,458 | 292,262 | 250,346 | 542,608 | 886,066 |
| Office expenses | 18,399 | 15,303 | 33,702 | 28,681 | 24,565 | 53,246 | 86,948 |
| Awards and banquets | - | 11,301 | 11,301 | - | 25,013 | 25,013 | 36,314 |
| Consultant and contract employees | - | 16,203 | 16,203 | 89,127 | 56,717 | 145,844 | 162,047 |
| Advertising and marketing | - | 53,122 | 53,122 | - | 140,807 | 140,807 | 193,929 |
| Printing and publications | - | 3,583 | 3,583 | 6,734 | 3,581 | 10,315 | 13,898 |
| Rent | 13,528 | 11,252 | 24,780 | 21,087 | 18,063 | 39,150 | 63,930 |
| Professional fees | - | - | - | 6,625 | 6,625 | 13,250 | 13,250 |
| Conference and travel | 27,828 | - | 27,828 | 28,668 | 27,828 | 56,496 | 84,324 |
| Depreciation | 2,561 | 2,130 | 4,691 | 3,992 | 3,419 | 7,411 | 12,102 |
| TOTAL EXPENSES | <u>\$ 6,064,134</u> | <u>\$ 268,841</u> | <u>\$ 6,332,975</u> | <u>\$ 477,176</u> | <u>\$ 556,964</u> | <u>\$ 1,034,140</u> | <u>\$ 7,367,115</u> |

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>PROGRAM SERVICES</u> | | | <u>SUPPORTING SERVICES</u> | | | <u>GRAND TOTAL</u> |
|---------------------------------------|--------------------------|--------------------------|---------------------|---|-------------------------|---------------------|------------------------|
| | <u>GRANT- MAKING</u> | <u>EDUCATION AND</u> | <u>TOTAL</u> | <u>MANAGE- MENT & GENERAL</u> | <u>FUND RAISING</u> | <u>TOTAL</u> | |
| Grants (Note 8) | \$ 5,267,345 | \$ - | \$ 5,267,345 | \$ - | \$ - | \$ - | \$ 5,267,345 |
| Salaries, payroll taxes, and benefits | 61,976 | 187,650 | 249,626 | 305,050 | 289,314 | 594,364 | 843,990 |
| Bad debt | 250,000 | - | 250,000 | - | - | - | 250,000 |
| Office expenses | 4,642 | 14,056 | 18,698 | 22,851 | 21,672 | 44,523 | 63,221 |
| Awards and banquets | - | 22,482 | 22,482 | - | 50,440 | 50,440 | 72,922 |
| Consultant and contract employees | - | 20,530 | 20,530 | 112,918 | 71,858 | 184,776 | 205,306 |
| Advertising and marketing | - | 34,221 | 34,221 | - | 115,064 | 115,064 | 149,285 |
| Printing and publications | - | 5,596 | 5,596 | 11,088 | 5,596 | 16,684 | 22,280 |
| Rent | 4,634 | 14,029 | 18,663 | 22,807 | 21,630 | 44,437 | 63,100 |
| Professional fees | - | - | - | 6,375 | 6,375 | 12,750 | 12,750 |
| Conference and travel | 16,814 | - | 16,814 | 17,325 | 16,814 | 34,139 | 50,953 |
| Depreciation | 789 | 2,387 | 3,176 | 3,881 | 3,681 | 7,562 | 10,738 |
| TOTAL EXPENSES | <u>\$ 5,606,200</u> | <u>\$ 300,951</u> | <u>\$ 5,907,151</u> | <u>\$ 502,295</u> | <u>\$ 602,444</u> | <u>\$ 1,104,739</u> | <u>\$ 7,011,890</u> |

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 1,529,430 | \$ 2,400,322 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 12,102 | 10,738 |
| Change in value of split-interest agreements | 5,887 | 4,064 |
| Note receivable discount (Note 3) | (21,064) | (7,340) |
| Donated investments | (354,069) | (293,470) |
| Unrealized (gain) loss on investments | (1,147,860) | (5,598,707) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (628,443) | (44,007) |
| Notes receivable | 700,000 | 250,000 |
| Accounts receivable | - | 47,682 |
| Other assets | 214 | 351 |
| Accounts payable and accrued liabilities | 9,669 | (152,365) |
| Grants payable | 12,500 | - |
| Assets held for other not-for-profit organizations (Note 8) | 164,828 | 131,823 |
| Net cash provided by (used in) operating activities | <u>283,194</u> | <u>(3,250,909)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in investments, net | <u>1,322,210</u> | <u>101,101</u> |
| Net cash provided by investing activities | <u>1,322,210</u> | <u>101,101</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>1,605,404</u> | <u>(3,149,808)</u> |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>6,030,815</u> | <u>9,180,623</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 7,636,219</u> | <u>\$ 6,030,815</u> |
| NONCASH TRANSACTIONS | | |
| Donated materials and services | <u>\$ 87,717</u> | <u>\$ 171,994</u> |

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

The Community Foundation Serving Boulder County (the Foundation) was established in 1991 as a Colorado not-for-profit corporation. The Foundation receives, administers and disburses funds for public, charitable, educational, scientific, literary, environmental, health and human services, and other benevolent purposes. The Foundation finances its operations largely through donations and investment earnings. The Foundation exists to encourage and strengthen philanthropy, enhance the structure and capacity of local not-for-profit agencies, provide opportunities to improve the quality of life in Boulder County communities, and to benefit future generations.

Program services provided by the Foundation include the following:

Grant Making

The Foundation is enabled through donors to make contributions to various charitable organizations. This process includes soliciting funding requests, evaluating the requests, and awarding the grants.

Education and Outreach

The Foundation offers a variety of specific programs including technical assistance and training developed to strengthen the internal capacity of not-for-profit agencies. The assistance and training focuses on structural and administrative responsibilities of not-for-profit organizations including board member responsibilities, financial management, human resources, and fundraising.

Additionally, the Foundation is committed to promoting a culture of giving in Boulder County through education and information. The Foundation conducts seminars and meetings for contributors to educate them about emerging needs, developing values about giving, and helping family members discuss philanthropy. The Foundation also provides training for donor advisors on discussing philanthropic tax issues and charitable giving with their clients.

Basis of Accounting and Presentation

The Foundation reports information regarding its financial position and activities into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2010, the Foundation had no permanently restricted net assets.

The consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries described below. Interorganizational balances and transactions have been eliminated in consolidation.

Organizational Structure

For liability protection and management of certain gifts, the Foundation formed the following subsidiaries:

- TCFSO, a Colorado nonprofit corporation wholly owned by the Foundation; a supporting organization which holds the three LLC's below
- Willard, LLC, a Colorado limited liability company; holds real estate remainder interests; wholly owned by TCFSO
- TCFML, LLC, a Colorado limited liability company; holds investments in publicly traded equity and debt securities; wholly owned by TCFSO
- Entrepreneurs Foundation of Colorado LLC (EFCO), a Colorado limited liability company wholly owned by the Foundation; holds donated stock warrants and other securities of privately held companies; wholly owned by TCFSO

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Foundation's cash balances include money market funds and certificates of deposit.

Contributions Receivable

Contributions receivable consist of unconditional multi-year promises to give, and are recorded at net realizable value for promises expected to be collected within one year, and at fair value for those due beyond one year. The relationship with the donor, the donor's history of making timely payments, and the donor's overall creditworthiness are incorporated into a fair value measurement computed using present value techniques.

Notes Receivable

Notes receivable are carried at their estimated collectible amounts. Interest income on loans receivable is recognized using the effective interest method. Interest income on impaired loans is recognized as cash is collected or on a cost-recovery basis. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic conditions. The Foundation generally requires collateral for significant loans.

Notes receivable are placed on non-accrual status when they become past due. Upon suspension of the accrual of interest, interest income is subsequently recognized to the extent cash payments are received. Accrual of interest is resumed when loans are removed from non-accrual status. Notes receivable are charged against their allowance accounts when such receivables are deemed to be uncollectible.

Investments

The Foundation's investment portfolio consists primarily of mutual fund investments in equity and debt securities with readily determinable market values. All investments are carried at fair value, with gains and losses reported in the statement of activities.

Occasionally, the Foundation receives noncash donations, such as real estate or equity securities of privately held companies, which do not have readily determinable market values. Donations of such investments are reported at fair value, estimated based upon evaluation of individual assets and sales of comparable assets.

It is the Foundation's policy to sell contributed publicly traded securities upon receipt. In cases where the security contains restrictions, the security is liquidated as soon as possible.

Split-Interest Agreements (Charitable Remainder Trusts)

The Foundation occasionally receives gifts from donors who establish charitable remainder trusts naming the Foundation as trustee. Such trusts require the Foundation to make lifetime distributions to designated beneficiaries. The payments are made from the income or principal of the assets donated pursuant to the trust agreement. Upon the death of the beneficiary, assets remaining in the trust will be transferred to the Foundation.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements (Continued)

The Foundation records assets held in such trusts at fair value and records liability at the estimated present value of the amounts due to the beneficiaries, based on Internal Revenue Service group annuity tables. The present value is calculated using risk-free discount rates in effect at the date of the gift.

The excess of the gift's fair value over the corresponding liability is recognized as support in the year of the gift. In subsequent years, gains or losses from changes in actuarial assumptions, accretions of the discount, and investment gains or losses are recorded as increases or decreases in the value of split-interest agreements in the statement of activities.

Property and Equipment

Property and equipment is stated at cost if purchased and estimated fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. The Foundation capitalizes property and equipment additions greater than \$500.

Expense Allocation

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

Revenue Recognition – Contributions

Contributions are reported as unrestricted or temporarily restricted, depending upon the existence and nature of any donor restrictions. The Foundation's bylaws and all donor agreements grant variance power to the Foundation's Board. Variance power allows the Board to modify or vary the donor's restrictions if the restriction becomes incapable of fulfillment or is inconsistent with the charitable needs of the community. The Foundation strives to honor donors' charitable intent and accepts grant recommendations from donors. However, by virtue of its variance power the Foundation generally reports contributions as unrestricted.

Contributions to be received over multiple years or at a specified date in the future are subject to time restrictions and are reported as temporarily restricted. Multi-year promises to give are recognized in the year the written promise is received from the donor. When the funds are collected in subsequent years, the time restriction is lifted and the Foundation recognizes an offsetting increase in unrestricted net assets and reduction of temporarily restricted net assets. The change is reported in the statement of activities as net assets released from restrictions.

The Foundation records donor-restricted contributions as unrestricted if the restrictions are met in the same reporting period. The Board has designated certain funds specifically for grant making and other purposes. Such funds are considered unrestricted by the Foundation's Board.

Grants

Grants are expensed when approved for payment by the Foundation's Board of Trustees.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$193,929 and \$149,285 in 2010 and 2009 respectively, of which \$82,532 and \$110,079 respectively was contributed as in-kind donations.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they require specialized skills and are provided by individuals possessing those skills. Donated materials, if significant, are reported as contributions at fair market value. Donated services consist primarily of printing, advertising, accounting, and legal services. The printing and advertising services are used to promote the Foundation's programs while the legal and accounting services support administrative operations.

A number of volunteers have donated significant amounts of time to the Foundation's programs; however, these donated services do not meet the above criteria for recognition are therefore not reflected in the financial statements.

Concentrations

At December 31, 2010 and 2009, 50% and 33% of contributions receivable, respectively, were due from one foundation. Most of the Foundation's other donors are located in the Boulder-Denver metropolitan area of Colorado.

Financial instruments which represent concentrations of credit risk consist of cash, contributions receivable (Note 2) and notes receivable (Note 3). Cash balances are insured, in part, by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. Although certain cash balances exceed insured limits, the Foundation maintains its cash balances at high-quality financial institutions and does not expect any losses from this exposure. Contributions receivable are due from a fairly broad donor base. Notes receivable are generally secured by collateral.

Fair Value Measurements

Fair value measurements of assets and liabilities may be carried out using:

- Quoted prices in active markets for identical assets (Level 1),
- Significant other observable inputs (Level 2), or
- Significant unobservable inputs (Level 3).

Assets and liabilities measured at fair value included the following assets measured on a recurring basis using Level 1 inputs:

| | <u>2010</u> | | <u>2009</u> |
|--|----------------------|----|----------------------|
| Cash equivalents – money market funds | \$ 3,454,496 | \$ | 1,882,883 |
| Cash equivalents – certificates of deposit | 3,763,000 | | 3,650,000 |
| Publicly traded securities | 24,315,456 | | 24,109,737 |
| | <u>\$ 31,532,952</u> | | <u>\$ 29,642,620</u> |

Changes in unrealized gains or losses relating to publicly traded securities are included in net gain on investments on the accompanying statements of activities, as more fully described in Note 4.

Assets and liabilities measured at fair value also included the following assets measured on a nonrecurring basis using Level 3 inputs:

| | <u>2010</u> | | <u>2009</u> |
|---------------------------------|-------------------|----|-------------------|
| Real estate remainder interests | \$ 328,456 | \$ | 328,456 |
| Land | 64,000 | | 85,000 |
| Other | - | | 5,000 |
| | <u>\$ 392,456</u> | | <u>\$ 418,456</u> |

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Foundation uses the market approach to value assets measured using Level 3 inputs, which changed as follows during the years ended December 31:

| | <u>2010</u> | <u>2009</u> |
|-----------------------------|-------------------|-------------------|
| Beginning balance | \$ 418,456 | \$ 428,456 |
| Less decrease in land value | (21,000) | (10,000) |
| Less assets sold | (5,000) | - |
| Ending balance | <u>\$ 392,456</u> | <u>\$ 418,456</u> |

The Foundation's EFCO subsidiary held warrants for stock and other interests in 18 and 17 privately held companies at December 31, 2010 and 2009, respectively. No value is included for the warrants in the accompanying financial statements because the Foundation considers that they have no current market value.

Income Taxes

The Foundation is a not-for-profit organization and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation's wholly owned subsidiary TCFSO has been designated a Type 2 supporting organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

The Foundation's federal Form 990 information returns for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events Evaluation

Management has evaluated subsequent events through August 15, 2011, the date the financial statements were available to be issued.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

| | <u>2010</u> | <u>2009</u> |
|----------------------|---------------------|---------------------|
| Face value | \$ 1,935,841 | 1,325,267 |
| Unamortized discount | (32,702) | (50,571) |
| | <u>\$ 1,903,139</u> | <u>\$ 1,274,696</u> |

No allowance for uncollectible contributions was provided, as management believes the amounts are fully collectible.

Contributions receivable includes the current balance of a \$800,000 note received in 2004 that is discounted at a rate of 3.51%. The note terms were renegotiated in 2010. Discount amortization totaled \$17,869 per year in 2010 and 2009, respectively. Future payments of contributions receivable consisted of the following at December 31, 2010:

| <u>Amounts due in:</u> | |
|------------------------|---------------------|
| One year or less | \$ 473,884 |
| Two to five years | 1,080,156 |
| More than five years | 349,099 |
| | <u>\$ 1,903,139</u> |

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 – NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

| | <u>2010</u> | <u>2009</u> |
|-----------------------------|-------------------|-------------------|
| Face value | \$ 350,000 | \$ 1,050,000 |
| Allowance for uncollectible | (250,000) | (250,000) |
| Unamortized discounts | - | (21,064) |
| | <u>\$ 100,000</u> | <u>\$ 778,936</u> |

Notes receivable includes the current balance of a \$1 million loan issued in 2005. In 2010 the Foundation forgave \$700,000 of the loan, converting that amount to a grant and leaving an outstanding balance of \$300,000. In addition, the Foundation recorded the following allowance for credit losses against the loan:

| | <u>2010</u> | <u>2009</u> |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 250,000 | \$ - |
| Write-downs | - | 250,000 |
| Balance, end of year | <u>\$ 250,000</u> | <u>\$ 250,000</u> |

Future payments on notes receivable consisted of the following at December 31, 2010:

| <u>Amounts due in:</u> | |
|------------------------|-------------------|
| One year or less | \$ 75,000 |
| Two to five years | 25,000 |
| | <u>\$ 100,000</u> |

NOTE 4 – INVESTMENTS

The Foundation's investments consisted of the following at December 31:

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|
| <u>Financial statement categories:</u> | | |
| Charitable remainder trusts | \$ 142,140 | \$ 130,680 |
| Other | 24,565,772 | 24,397,513 |
| | <u>\$ 24,707,912</u> | <u>\$ 24,528,193</u> |
| <u>Types of investments:</u> | | |
| <u>Publicly traded securities:</u> | | |
| Equity | \$ 16,680,231 | \$ 15,588,700 |
| Debt | 7,635,225 | 8,521,037 |
| Real estate remainder interests | 328,456 | 328,456 |
| Real estate – undeveloped land | 64,000 | 85,000 |
| Other | - | 5,000 |
| | <u>\$ 24,707,912</u> | <u>\$ 24,528,193</u> |

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 – INVESTMENTS (Continued)

The Foundation's investment gains and losses consisted of the following for the years ended December 31:

| | <u>2010</u> | <u>2009</u> |
|-------------------------|---------------------|---------------------|
| Realized gains (losses) | \$ 774,152 | \$ (2,717,595) |
| Unrealized gains | 1,147,861 | 5,598,707 |
| Fees | (134,690) | (124,958) |
| | <u>\$ 1,787,323</u> | <u>\$ 2,756,154</u> |

NOTE 5 – PROPERTY AND EQUIPMENT

The Foundation's property and equipment consisted of the following at December 31:

| | <u>2010</u> | <u>2009</u> |
|-----------------------------|-----------------|------------------|
| Office equipment | \$ 30,927 | \$ 30,927 |
| Furniture | 14,908 | 14,908 |
| Signage | 10,032 | 10,032 |
| Computer software | <u>47,820</u> | <u>47,820</u> |
| | 103,687 | 103,687 |
| Accumulated depreciation | <u>(95,609)</u> | <u>(83,507)</u> |
| Property and equipment, net | <u>\$ 8,078</u> | <u>\$ 20,180</u> |

NOTE 6 – SPLIT-INTEREST AGREEMENT LIABILITY

The Foundation has obligations under a charitable remainder unitrust agreement. The Foundation must pay the trust's beneficiary the lesser of annual trust income or 5% of trust assets on the first day of each fiscal year. If annual income exceeds 5% of assets, the Foundation must pay additional amounts to make up prior year cumulative deficiencies (payments of less than 5% of assets), if any. The obligation is recorded at present value, computed using an effective discount factor of 2.4% and the estimated life expectancy of the beneficiary. Estimated liabilities under this agreement totaled \$26,778 at December 31, 2010, with an additional \$17,120 cumulative deficiency to be paid if annual income exceeds 5% of assets.

NOTE 7 – OPERATING LEASES

The Foundation leases office space under a lease whose term expired in January 2011, when it became month-to-month. The Foundation also rents off site storage space. Rent expense totaled \$63,930 and \$63,100 in 2010 and 2009, respectively.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8 – AGENCY ENDOWMENTS

The Foundation has arrangements with certain not-for-profit organizations (NPO's) whereby an NPO transfers assets to the Foundation and specifies itself as beneficiary. In such cases, the Foundation does not report the receipt of these assets as contributions. Even though the NPO has granted the Foundation variance power and the Foundation has legal title to the assets, under U.S. generally accepted accounting principles, such transfers are reported by the Foundation as increases in liabilities. Likewise, grant expense and investment income and expense (including unrealized gains or losses) relating to these funds are reported as changes to the liability. The liability totaled \$1,636,699 and \$1,471,871 at December 31, 2010 and 2009, respectively.

The following table shows the effects of agency endowments on the Foundation's contribution revenue and grant expense:

| | | |
|---|---------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| Total amounts raised | \$ 6,265,077 | \$ 5,379,575 |
| Less: amounts received as agency endowments | (152,725) | (300) |
| Contributions revenue | <u>\$ 6,112,352</u> | <u>\$ 5,379,275</u> |
| | | |
| Total grants made | \$ 5,955,468 | \$ 5,314,604 |
| Less: grants made from agency endowments | (141,161) | (47,259) |
| Grants expense | <u>\$ 5,814,307</u> | <u>\$ 5,267,345</u> |

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

| | | |
|--|---------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| Contributions receivable | \$ 1,903,139 | \$ 1,274,696 |
| Remainder interest from split-interest agreement | 115,366 | 106,981 |
| Restricted for specific purposes | 359,342 | 566,428 |
| | <u>\$ 2,377,847</u> | <u>\$ 1,948,105</u> |

Net assets released from restrictions consisted of the following:

| | | |
|--|---------------------|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Net cash received against promises to give | \$ 748,806 | \$ 574,662 |
| Satisfaction of program restrictions | 685,086 | 157,572 |
| | <u>\$ 1,433,892</u> | <u>\$ 732,234</u> |

NOTE 10 – RELATED PARTY TRANSACTIONS

In 2009 the Foundation paid \$14,870 to two marketing support companies owned in part by Board members. The same companies contributed in-kind services totaling \$77,185 in 2009.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11 – IN-KIND CONTRIBUTIONS

Donated services valued at \$87,717 and \$171,994 have been recorded in the financial statements at fair market value for 2010 and 2009, respectively. Such services included donated marketing and other services, and were used in fundraising and other activities. Additionally, volunteers have donated significant amounts of time to the Foundation in various capacities. However, these services have not been reflected in the financial statements since they neither require specialized skills nor would they have typically been purchased had they not been donated. The value of these services is not readily determinable.

NOTE 12 – EMPLOYEE BENEFIT PLAN

The Foundation sponsors a 401(k) retirement plan (“the Plan”), which covers all employees with six consecutive months of service. Employees may elect to defer a portion of their compensation, subject to certain limits. The Plan also provides for discretionary contributions by the Foundation. The Foundation contributed \$44,519 and \$44,834 in 2010 and 2009, respectively.

NOTE 13 – CONDITIONAL GRANT

In 2009 a donor assigned a \$330,000 note receivable to the Foundation. Because collection of the note is uncertain, the Foundation did not record revenue or a receivable at December 31, 2010 or 2009, and instead will record proceeds from the note as they are received using the cost recovery method.