**JOHNSON KIGHTLINGER GRAHAM** & CO

# THE COMMUNITY FOUNDATION

# SERVING BOULDER COUNTY

# CONSOLIDATED FINANCIAL STATEMENTS

# DECEMBER 31, 2008

## TABLE OF CONTENTS

certified public accountants

**JOHNSON KIGHTLINGER GRAHAM** &CO

2300 Broadway
Boulder, CO 80304-4145

T 303.449.3830
F 303.449.3889
www.jkg-cpa.com

# 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, 2008 and 2007, 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 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 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, 2008 and 2007, 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 Graham & Co.

JOHNSON KIGHTLINGER GRAHAM & CO.
Boulder, Colorado
July 20, 2009

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Note 1) | $ 9,180,623 | $ 7,926,755 |
| Contributions receivable (Note 2) | 1,230,689 | 1,042,980 |
| Notes receivable (Note 3) | 1,021,596 | 1,013,210 |
| Accounts receivable | 47,682 | - |
| Investments (Note 4) | 18,620,145 | 29,030,009 |
| Investments - charitable remainder trusts (Note 1) | 116,972 | 163,022 |
| Property and equipment, net (Note 5) | 30,918 | 12,827 |
| Prepaid expenses and other | 19,461 | 33,920 |
| Total assets | $ 30,268,086 | $ 39,222,723 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 46,990 | $ 10,516 |
| Conditional grant revenue (Note 13) | 100,000 | - |
| Grants payable | - | 65,000 |
| Liabilities under split-interest agreements (Note 6) | 25,147 | 37,589 |
| Assets held for others (Note 8) | 1,340,048 | 1,802,511 |
| Total liabilities | 1,512,185 | 1,915,616 |
| **COMMITMENT** (Note 7) | | |
| **NET ASSETS** | | |
| Unrestricted | 27,308,384 | 36,138,694 |
| Temporarily restricted (Note 9) | 1,447,517 | 1,168,413 |
| Total net assets | 28,755,901 | 37,307,107 |
| Total liabilities and net assets | $ 30,268,086 | $ 39,222,723 |

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY**
**CONSOLIDATED STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL |
|---|---|---|---|
| **REVENUE AND SUPPORT** | | | |
| Contributions (Note 8) | $ 3,462,206 | $ 861,505 | $ 4,323,711 |
| Investment income - dividends and interest | 1,242,137 | - | 1,242,137 |
| Donated services (Note 11) | 94,211 | - | 94,211 |
| Program revenue | 99,650 | - | 99,650 |
| Investment management fees | 19,989 | - | 19,989 |
| Change in value of split interest agreements | - | (33,605) | (33,605) |
| Net assets released from restrictions (Note 9) | 548,796 | (548,796) | - |
| Total revenue and support | 5,466,989 | 279,104 | 5,746,093 |
| **EXPENSES AND LOSSES** | | | |
| Program services - grants | 4,850,687 | - | 4,850,687 |
| Program services - other | 438,422 | - | 438,422 |
| Supporting services | 920,005 | - | 920,005 |
| Total expenses | 6,209,114 | - | 6,209,114 |
| Losses on investments - realized and unrealized (Note 4) | 8,088,185 | - | 8,088,185 |
| Total expenses and losses | 14,297,299 | - | 14,297,299 |
| **INCREASE (DECREASE) IN NET ASSETS** | (8,830,310) | 279,104 | (8,551,206) |
| **NET ASSETS - BEGINNING OF YEAR** | 36,138,694 | 1,168,413 | 37,307,107 |
| **NET ASSETS - END OF YEAR** | $ 27,308,384 | $ 1,447,517 | $ 28,755,901 |

See Notes to Consolidated Financial Statements

## THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
## CONSOLIDATED STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2007

| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL |
|---|---|---|---|
| **REVENUE AND SUPPORT** | | | |
| Contributions (Note 8) | $ 7,107,771 | $ 90,000 | $ 7,197,771 |
| Investment income - dividends and interest | 1,307,412 | - | 1,307,412 |
| Gains on investments - realized and unrealized (Note 4) | 1,510,191 | - | 1,510,191 |
| Donated services (Note 11) | 161,676 | - | 161,676 |
| Program revenue | 46,682 | - | 46,682 |
| Change in value of split interest agreements | - | 8,131 | 8,131 |
| Net assets released from restrictions (Note 9) | 703,801 | (703,801) | - |
| Total revenue and support | 10,837,533 | (605,670) | 10,231,863 |
| **EXPENSES** | | | |
| Program services - grants | 5,210,380 | - | 5,210,380 |
| Program services - other | 349,619 | - | 349,619 |
| Supporting services | 1,150,280 | - | 1,150,280 |
| Total expenses | 6,710,279 | - | 6,710,279 |
| **INCREASE (DECREASE) IN NET ASSETS** | 4,127,254 | (605,670) | 3,521,584 |
| **NET ASSETS - BEGINNING OF YEAR** | 32,011,440 | 1,774,083 | 33,785,523 |
| **NET ASSETS - END OF YEAR** | $ 36,138,694 | $ 1,168,413 | $ 37,307,107 |

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | |
|---|---|---|---|---|---|---|---|
| | GRANT-MAKING | EDUCATION AND OUTREACH | TOTAL | MANAGE-MENT & GENERAL | FUND RAISING | TOTAL | GRAND TOTAL |
| Grants (Note 8) | $ 4,746,548 | $ - | $ 4,746,548 | $ - | $ - | $ - | $ 4,746,548 |
| Salaries, payroll taxes, and benefits | 83,401 | 211,515 | 294,916 | 289,474 | 250,045 | 539,519 | 834,435 |
| Office expenses | 8,858 | 23,343 | 32,201 | 30,748 | 34,605 | 65,353 | 97,554 |
| Awards and banquets | - | 35,016 | 35,016 | - | 103,481 | 103,481 | 138,497 |
| Consultant and contract employees | 1,536 | 111,209 | 112,745 | 22,904 | 15,787 | 38,691 | 151,436 |
| Advertising and marketing | - | 23,656 | 23,656 | - | 84,351 | 84,351 | 108,007 |
| Printing and publications | - | 9,677 | 9,677 | 5,611 | 3,188 | 8,799 | 18,476 |
| Rent | 6,186 | 21,064 | 27,250 | 21,470 | 18,546 | 40,016 | 67,266 |
| Professional fees | - | - | - | 6,300 | 19,904 | 26,204 | 26,204 |
| Conference and travel | 2,998 | - | 2,998 | 3,087 | 2,998 | 6,085 | 9,083 |
| Depreciation | 1,160 | 2,942 | 4,102 | 4,028 | 3,478 | 7,506 | 11,608 |
| **TOTAL EXPENSES** | $ 4,850,687 | $ 438,422 | $ 5,289,109 | $ 383,622 | $ 536,383 | $ 920,005 | $ 6,209,114 |

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2007**

| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | |
|---|---|---|---|---|---|---|---|
| | GRANT-MAKING | EDUCATION AND OUTREACH | TOTAL | MANAGE-MENT & GENERAL | FUND RAISING | TOTAL | GRAND TOTAL |
| Grants (Note 8) | $ 5,106,692 | $ - | $ 5,106,692 | $ - | $ - | $ - | $ 5,106,692 |
| Salaries, payroll taxes, and benefits | 84,796 | 187,249 | 272,045 | 233,994 | 208,080 | 442,074 | 714,119 |
| Office expenses | 6,978 | 19,110 | 26,088 | 19,256 | 21,559 | 40,815 | 66,903 |
| Awards and banquets | - | 28,565 | 28,565 | - | 115,073 | 115,073 | 143,638 |
| Consultant and contract employees | 1,027 | 26,480 | 27,507 | 12,792 | 8,857 | 21,649 | 49,156 |
| Advertising and marketing | - | 43,979 | 43,979 | - | 119,540 | 119,540 | 163,519 |
| Printing and publications | - | 23,357 | 23,357 | 11,744 | 6,222 | 17,966 | 41,323 |
| Rent | 6,417 | 19,546 | 25,963 | 17,708 | 15,747 | 33,455 | 59,418 |
| Professional fees | - | - | - | 5,600 | 14,100 | 19,700 | 19,700 |
| Conference and travel | 3,866 | - | 3,866 | 3,983 | 3,866 | 7,849 | 11,715 |
| Depreciation | 604 | 1,333 | 1,937 | 1,666 | 1,482 | 3,148 | 5,085 |
| Bad debt (Note 2) | - | - | - | 325,852 | - | 325,852 | 325,852 |
| Unrelated business income tax | - | - | - | - | 3,159 | 3,159 | 3,159 |
| **TOTAL EXPENSES** | $ 5,210,380 | $ 349,619 | $ 5,559,999 | $ 632,595 | $ 517,685 | $ 1,150,280 | $ 6,710,279 |

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Increase (decrease) in net assets | $ (8,551,206) | $ 3,521,584 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 11,608 | 5,085 |
| Change in value of split-interest agreements | (3,571) | 314,861 |
| Note receivable discount (Note 3) | (8,386) | (8,656) |
| Donated investments | (418,449) | (2,063,592) |
| Unrealized (gain) loss on investments | 7,508,400 | 110,024 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (187,709) | 261,110 |
| Accounts receivable | (47,682) | - |
| Other assets | 14,459 | (20,069) |
| Accounts payable and accrued liabilities | 27,603 | 1,393 |
| Grants payable | (65,000) | (60,000) |
| Conditional grant liability (Note 13) | 100,000 | - |
| Assets held for other not-for-profit organizations (Note 8) | (462,463) | 153,230 |
| Net cash provided by (used in) operating activities | (2,082,396) | 2,214,970 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Change in investments, net | 3,365,963 | (2,590,058) |
| Purchase of equipment | (29,699) | (2,089) |
| Net cash provided by (used in) investing activities | 3,336,264 | (2,592,147) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 1,253,868 | (377,177) |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 7,926,755 | 8,303,932 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 9,180,623 | $ 7,926,755 |
| **SUPPLEMENTAL CASH FLOW DISCLOSURES:** | | |
| Cash paid during year for taxes | $ - | $ 3,159 |
| **NONCASH TRANSACTIONS** | | |
| Donated materials and services | $ 94,211 | $ 161,676 |
| Investment sold in exchange for note receivable | $ - | $ 50,000 |

See Notes to Consolidated Financial Statements

## 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 proceeds from 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:

<u>Grant Making</u>
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.

<u>Education and Outreach</u>
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 discussing relevant philanthropic tax issues and tools for discussing charitable giving with clients.

### Basis of Accounting and Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2008, the Foundation had no permanently restricted net assets. Donor agreements and the Foundation's bylaws 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 consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries described below. Interorganizational balances 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 equity and debt securities; wholly owned by TCFSO

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Organizational Structure (Continued)

- Entrepreneurs Foundation of Colorado LLC (EFCO), a Colorado limited liability company wholly owned by the Foundation; holds donated stock warrants

The accompanying financial statements include the following net assets held by subsidiaries as of December 31:

| | 2008 | 2007 |
|---|---|---|
| Willard | $ 328,456 | $ 328,456 |
| TCFML | 1,989,274 | 3,509,711 |
| | $ 2,317,730 | $ 3,838,167 |

One subsidiary, EFCO, occasionally receives donations of stock warrants for minority interests in privately held companies. EFCO held warrants for stock in 23 and 15 such companies at December 31, 2008 and 2007, respectively. No value is included for the warrants in the accompanying financial statements because they consist of minority interests in privately held companies and have no current market value.

### 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. Cash balances are insured, in part, by the Securities Investor Protection Corporation and the Federal Deposit Insurance Corporation. Even though certain cash balances exceed insurance limits, the Foundation maintains its cash balances at high-quality financial institutions and does not expect any losses from this exposure.

### 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. 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. Management believes all notes receivable are collectible; therefore, no allowance for uncollectible notes receivable is included in the accompanying financial statements.

### 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments**
The Foundation's investment portfolio consists primarily of mutual fund investments in equity and debt securities. Generally, such investments have readily determinable market values and are reported 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 their appraised value, which approximates fair value, or their estimated fair market value.

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 has received gifts from donors who established charitable remainder trusts which name the Foundation as trustee. The 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 Foundation records the assets held in these trusts at fair value and records a liability at the estimated discount 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.

**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.

**Grants**
Grants are expensed when approved for payment by the Foundation's Board of Trustees. Grants are generally paid in the same month they are approved by the Board of Trustees. Grants payable on the accompanying statements of financial position are due in the subsequent year.

**Advertising**
Advertising costs are expensed as incurred. Advertising expense totaled $108,007 and $163,519 in 2008 and 2007 respectively, of which $54,110 and $121,885 respectively was contributed as in-kind donations.

**Contributions**
Contributions are recorded in the year received at their fair value. Contributions are reported as unrestricted or temporarily restricted, depending upon the existence and nature of any donor restrictions. The Foundation strives to honor a donor's charitable intent and will accept grant recommendations from donors. However, by virtue of its variance power the Foundation generally reports its contributions as unrestricted. Contributions to be received over multiple years (contributions receivable) or at a specified date in the future (split interest agreements) are subject to time restrictions and are reported as temporarily restricted.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Contributions (Continued)**
Multi-year promises to give (contributions receivable) 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 increase in unrestricted net assets with a corresponding reduction of temporarily restricted net assets and is reported in the statement of activities as net assets released from restrictions. No allowance for uncollectible contributions was provided, as management believes the amounts are fully collectible.

Even though the vast majority of the Foundation's contributions are considered unrestricted, as defined under SFAS No. 117, the Board has designated some funds specifically for grant making and other purposes. Such funds are considered unrestricted by the Foundation's Board.

**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 are not reflected in the financial statements since these services do not meet the criteria for recognition.

**Concentration of Donors in One Geographic Area**
Most of the Foundation's donors are located in the Boulder-Denver metropolitan area of Colorado.

**Concentrations of Credit Risk**
Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of temporary cash investments, contributions receivable and a $1 million note receivable (see Note 3). The Foundation places its cash with high quality financial institutions and attempts to limit the amount of credit exposure to any one financial institution. Contributions receivable are due from a fairly broad donor base. The note receivable is secured by collateral.

**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 has elected to defer the application of FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. The Foundation evaluates its tax positions for gain or loss contingencies. No such contingencies are included in the accompanying financial statements.

## NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional, multi-year promises to give as of December 31:

| | 2008 | 2007 |
|---|---|---|
| Social Venture Partners | $ 66,893 | $ 69,893 |
| Administrative Pledges | 522,903 | 135,000 |
| O'Neal Trust | 131,794 | 263,588 |
| Jeff Sands Memorial | 577,540 | 644,665 |
| | 1,299,130 | 1,113,146 |
| Less: unamortized discounts | (68,441) | (70,166) |
| Total | $ 1,230,689 | $ 1,042,980 |

**O'Neal Trust**
The O'Neal charitable trust agreement originally provided the Foundation with annual distributions of approximately $263,558 through 2009. In 2001 the Foundation recognized its interest in this trust agreement by recording the net present value of the future cash flows, using a discount rate of 4.99%, which totaled $1,565,808. The related discount of $371,792 was being amortized over the years in which cash flows were expected to be received. In 2007, the trust's administrator reinterpreted its obligations and reduced the annual payments to $131,794. As a result, the Foundation recognized bad debt expense of $325,852 in 2007, including the remaining unamortized discount.

**Jeff Sands Memorial**
Through the Jeff Sands Memorial Blue Skies fund, an $800,000 promissory note was assigned to the Foundation in 2004. The note is subordinate to a $200,000 line of credit. In 2004 the Foundation recognized this note as a temporarily restricted contribution by recording the net present value of the future cash flows, using a discount rate of 3.51%. The related discount is being amortized over the years in which cash flows are received. The discount was adjusted in 2008 to account for a change in the payment terms. Discount amortization, net of adjustments, totaled $1,725 and $20,209 in 2008 and 2007, respectively.

**Future Payments**
Future payments of contributions receivable consisted of the following at December 31, 2008:

| Amounts due in: | |
|---|---|
| One year or less | $ 437,458 |
| Two to five years | 728,417 |
| More than five years | 133,255 |
| | $ 1,299,130 |

## NOTE 3 – NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

| | 2008 | 2007 |
|---|---|---|
| KGNU | $ 1,000,000 | $ 1,000,000 |
| Other | 50,000 | 50,000 |
| | 1,050,000 | 1,050,000 |
| Less: unamortized discounts | (28,404) | (36,790) |
| Total | $ 1,021,596 | $ 1,013,210 |

**KGNU Note Receivable**
On behalf of a donor, the Foundation loaned $1,000,000 to a local public radio station (KGNU) during 2005. The note is secured by property, equipment and intangible assets owned by KGNU. The note carries interest at an annual rate of 5.5%, with the provision that all interest is to be forgiven and treated as a donation to the borrower. The Foundation recorded the note at its face value less the present value of the interest to be forgiven, using a discount rate of 5.5%. The related discount of $56,266 is being amortized over the life of the loan. Amortization totaled $8,386 and $8,656 in 2008 and 2007, respectively.

**Future Payments**
Future payments on notes receivable consisted of the following at December 31, 2008:

| Amounts due in: | |
|---|---|
| One year or less | $ 50,000 |
| Two to five years | 500,000 |
| More than five years | 500,000 |
| | $ 1,050,000 |

## NOTE 4 – INVESTMENTS

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

| | 2008 | 2007 |
|---|---|---|
| Publicly traded securities: | | |
| Equity | $ 10,170,843 | $ 20,099,690 |
| Debt | 8,137,818 | 8,664,885 |
| Real estate remainder interests | 328,456 | 328,456 |
| Real estate – undeveloped land | 100,000 | 100,000 |
| | $ 18,737,117 | $ 29,193,031 |
| Charitable remainder trusts | $ 116,972 | 163,022 |
| Other | 18,620,145 | 29,030,009 |
| | $ 18,737,117 | $ 29,193,031 |

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

| | 2008 | 2007 |
|---|---|---|
| Realized gains (losses) | $ (423,234) | $ 1,732,814 |
| Unrealized gains (losses) | (7,508,400) | (110,024) |
| Fees | (156,551) | (112,599) |
| | $ (8,088,185) | $ 1,510,191 |

## NOTE 5 – PROPERTY AND EQUIPMENT

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

| | 2008 | 2007 |
|---|---|---|
| Office equipment | $ 30,926 | $ 16,092 |
| Furniture | 14,908 | 11,263 |
| Signage | 10,032 | 10,032 |
| Computer software | 47,821 | 36,601 |
| | 103,687 | 73,988 |
| Accumulated depreciation | (72,769) | (61,161) |
| Property and equipment, net | $ 30,918 | $ 12,827 |

## NOTE 6 – SPLIT-INTEREST AGREEMENT LIABILITIES

The Foundation has obligations under a charitable remainder unitrust agreement. The Foundation has an obligation to pay the lesser of the annual trust income or 5% of the trust assets on the first day of the fiscal year. If annual income exceeds 5% of assets, the Foundation is obligated to 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 4.873% and the estimated life expectancy of the beneficiary. Unitrust obligation assumptions are reviewed annually by Foundation management, and estimates may be subject to change in the near term. Payments due in 2009 under this agreement total $7,927, and the estimated liability for amounts due after 2009 is $17,220.

## NOTE 7 – LEASE COMMITMENT

The Foundation leases office space under a lease that expires January 14, 2011. The Foundation also rents off site storage space. Rent expense, net of sublease income of $5,376 in both years, was $67,266 and $59,418 in 2008 and 2007, respectively. Future sublease commitments totaled $6,835 at December 31, 2008. Future minimum lease payments as of December 31, 2008 consisted of the following:

| | |
|---|---|
| 2009 | $ 40,192 |
| 2010 | 41,940 |
| 2011 | 1,748 |
| | $ 83,880 |

## 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 FASB Statement 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others," such transfers are reported as a liability to the Foundation. 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 $1,340,048 and $1,802,511 in 2008 and 2007, respectively.

## NOTE 8 – AGENCY ENDOWMENTS (Continued)

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

| | 2008 | 2007 |
|---|---|---|
| Total amounts raised | $ 4,394,416 | $ 7,254,046 |
| Less: amounts received as agency endowments | (70,705) | (56,275) |
| Contributions | $ 4,323,711 | $ 7,197,771 |
| | | |
| Total grants made | $ 4,798,359 | $ 5,177,338 |
| Less: grants made from agency endowments | (51,811) | (70,646) |
| Grants | $ 4,746,548 | $ 5,106,692 |

## NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

| | 2008 | 2007 |
|---|---|---|
| Contributions receivable | $ 1,230,689 | $ 1,042,980 |
| Remainder interest from split-interest agreements | 91,828 | 125,433 |
| Restricted for specific purposes | 125,000 | - |
| | $ 1,447,517 | $ 1,168,413 |

Net assets released from restrictions totaled $548,796 and $703,801 in 2008 and 2007, respectively. The restrictions arose from multi-year promises to give, which were reported in the statement of financial position as contributions receivable. The releases were triggered when the Foundation received cash from the donors.

## NOTE 10 – RELATED PARTY TRANSACTIONS

The Foundation leases office space (Note 7) from a company owned in part by the spouse of a Board member.

The Foundation paid $23,079 and $10,452 in 2008 and 2007 to two marketing support companies owned in part by Board members. The same companies contributed in-kind services totaling $67,031 in 2007.

## NOTE 11 – IN-KIND CONTRIBUTIONS

Donated services valued at $94,211 and $161,676 have been recorded in the financial statements at fair market value for 2008 and 2007, respectively. Such services included donated legal, accounting, 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 $41,362 and $36,090 in 2008 and 2007, respectively.

## NOTE 13 – CONDITIONAL GRANT

In 2008 the Foundation received a $100,000 challenge grant to be used for delivering content to specified audiences through new media channels. The grant requires the Foundation to raise $41,000 in matching funds from outside sources. The matching funds had not been raised at December 31, 2008, and the grant is therefore recorded as a liability on the accompanying statement of financial position.