

JOHNSON KIGHTLINGER & COMPANY

**THE COMMUNITY FOUNDATION
SERVING BOULDER COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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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, 2011 and 2010, 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, 2011 and 2010, 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
September 10, 2012

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Note 1)	\$ 10,010,476	\$ 7,636,219
Contributions receivable (Note 2)	1,279,916	1,903,139
Notes receivable (Note 3)	200,000	100,000
Investments (Note 4)	22,388,183	24,565,772
Investments - charitable remainder trusts (Note 1)	136,030	142,140
Property and equipment, net (Note 5)	20,510	8,078
Prepaid expenses and other	17,359	18,896
Total assets	<u>\$ 34,052,474</u>	<u>\$ 34,374,244</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 25,239	\$ 12,614
Grants payable	166,692	12,500
Liability under split-interest agreement (Note 6)	24,174	26,778
Assets held for others (Note 8)	1,579,152	1,636,699
Total liabilities	<u>1,795,257</u>	<u>1,688,591</u>
COMMITMENT (Note 7)		
NET ASSETS		
Unrestricted	30,532,611	30,307,806
Temporarily restricted (Note 9)	1,724,606	2,377,847
Total net assets	<u>32,257,217</u>	<u>32,685,653</u>
Total liabilities and net assets	<u>\$ 34,052,474</u>	<u>\$ 34,374,244</u>

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND SUPPORT			
Contributions (Note 8)	\$ 5,306,811	\$ 667,550	\$ 5,974,361
Investment income - dividends and interest	658,723	-	658,723
In-kind donations (Note 10)	60,634	-	60,634
Program revenue	59,605	-	59,605
Investment management fees	18,501	-	18,501
Change in value of split interest agreements	-	(3,510)	(3,510)
Net assets released from restrictions (Note 9)	<u>1,317,281</u>	<u>(1,317,281)</u>	<u>-</u>
Total revenue and support	7,421,555	(653,241)	6,768,314
EXPENSES AND LOSSES			
Program services - grants	4,903,715	-	4,903,715
Program services - other	310,740	-	310,740
Supporting services	<u>1,005,566</u>	<u>-</u>	<u>1,005,566</u>
Total expenses	6,220,021	-	6,220,021
Net investment losses (Note 4)	<u>976,729</u>	<u>-</u>	<u>976,729</u>
Total expenses and losses	7,196,750	-	7,196,750
CHANGE IN NET ASSETS	<u>224,805</u>	<u>(653,241)</u>	<u>(428,436)</u>
NET ASSETS - BEGINNING OF YEAR	<u>30,307,806</u>	<u>2,377,847</u>	<u>32,685,653</u>
NET ASSETS - END OF YEAR	<u>\$ 30,532,611</u>	<u>\$ 1,724,606</u>	<u>\$ 32,257,217</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 10)	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)	<u>1,433,892</u>	<u>(1,433,892)</u>	
Total revenue and support	6,679,480	429,742	7,109,222
Net investment gains (Note 4)	<u>1,787,323</u>	-	<u>1,787,323</u>
Total revenue, gains and support	8,466,803	429,742	8,896,545
 EXPENSES AND LOSSES			
Program services - grants	6,064,134	-	6,064,134
Program services - other	268,841	-	268,841
Supporting services	<u>1,034,140</u>	-	<u>1,034,140</u>
Total expenses	7,367,115	-	7,367,115
 CHANGE 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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)	\$ 4,818,603	\$ -	\$ 4,818,603	\$ -	\$ -	\$ -	\$ 4,818,603
Salaries, payroll taxes, and benefits	141,921	217,827	359,748	402,850	189,929	592,779	952,527
Office expenses	11,566	17,753	29,319	32,839	15,480	48,319	77,638
Awards and banquets	-	12,791	12,791	-	23,380	23,380	36,171
Consultant and contract employees	-	15,717	15,717	86,444	55,010	141,454	157,171
Advertising and marketing	-	23,868	23,868	-	81,446	81,446	105,314
Printing and publications	-	5,253	5,253	10,507	5,253	15,760	21,013
Rent	9,753	14,969	24,722	27,684	13,052	40,736	65,458
Professional fees	682	1,046.00	1,728	8,784	7,763	16,547	18,275
Conference and travel	20,202	-	20,202	20,816	20,203	41,019	61,221
Bad debt recovery	(100,000)	-	(100,000)	-	-	-	(100,000)
Depreciation	988	1,516	2,504	2,804	1,322	4,126	6,630
TOTAL EXPENSES	<u>\$ 4,903,715</u>	<u>\$ 310,740</u>	<u>\$ 5,214,455</u>	<u>\$ 592,728</u>	<u>\$ 412,838</u>	<u>\$ 1,005,566</u>	<u>\$ 6,220,021</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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (428,436)	\$ 1,529,430
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,630	12,102
Change in value of split-interest agreements	655	5,887
Note receivable discount	(17,782)	(21,064)
Donated investments	(1,458,990)	(354,069)
Unrealized (gain) loss on investments	913,025	(1,147,860)
Changes in operating assets and liabilities:		
Contributions receivable	641,005	(628,443)
Notes receivable	(100,000)	700,000
Other assets	1,537	214
Accounts payable and accrued liabilities	9,398	9,669
Grants payable	154,192	12,500
Assets held for other not-for-profit organizations (Note 8)	(57,547)	164,828
Net cash provided by (used in) operating activities	<u>(336,313)</u>	<u>283,194</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(19,094)	-
Change in investments, net	<u>2,729,664</u>	<u>1,322,210</u>
Net cash provided by investing activities	<u>2,710,570</u>	<u>1,322,210</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,374,257</u>	<u>1,605,404</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,636,219</u>	<u>6,030,815</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,010,476</u>	<u>\$ 7,636,219</u>
NONCASH TRANSACTIONS		
Donated materials and services	<u>\$ 60,634</u>	<u>\$ 87,717</u>

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011, 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, 2011

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, 2011

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 \$105,314 and \$193,929 in 2011 and 2010 respectively, of which \$54,924 and \$82,532 respectively was contributed as in-kind donations.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 and are therefore not reflected in the financial statements.

Concentrations

At December 31, 2011 and 2010, 35% and 50% 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>2011</u>		<u>2010</u>
Cash equivalents – money market funds	\$ 4,798,022	\$	3,454,496
Cash equivalents – certificates of deposit	5,030,431		3,763,000
Publicly traded securities	22,523,940		24,315,456
	<u>\$ 32,352,393</u>		<u>\$ 31,532,952</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>2011</u>		<u>2010</u>
Real estate remainder interests	\$ 328,456	\$	328,456
Restricted stock	84,096		-
Land	-		64,000
	<u>\$ 412,552</u>		<u>\$ 392,456</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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>2011</u>	<u>2010</u>
Beginning balance	\$ 392,456	\$ 418,456
Plus restricted stock contribution	84,096	
Less decrease in land value	-	(21,000)
Less assets sold	<u>(64,000)</u>	<u>(5,000)</u>
Ending balance	<u>\$ 412,552</u>	<u>\$ 392,456</u>

The Foundation's EFCO subsidiary held warrants for stock and other interests in 19 and 18 privately held companies at December 31, 2011 and 2010, 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 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events Evaluation

Management has evaluated subsequent events through September 10, 2012, the date the financial statements were available to be issued.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Face value	\$ 1,294,836	1,935,841
Unamortized discount	<u>(14,920)</u>	<u>(32,702)</u>
	<u>\$ 1,279,916</u>	<u>\$ 1,903,139</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 \$17,782 and \$21,065 in 2011 and 2010, respectively. Future payments of contributions receivable consisted of the following at December 31, 2011:

<u>Amounts due in:</u>	
One year or less	\$ 337,453
Two to five years	643,364
More than five years	<u>299,099</u>
	<u>\$ 1,279,916</u>

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 – NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

	<u>2011</u>	<u>2010</u>
Face value	\$ 350,000	\$ 350,000
Allowance for uncollectible	(150,000)	(250,000)
	<u>\$ 200,000</u>	<u>\$ 100,000</u>

Future payments on notes receivable consisted of the following at December 31, 2011:

<u>Amounts due in:</u>	
One year or less	\$ 80,000
Two to five years	120,000
	<u>\$ 200,000</u>

NOTE 4 – INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
<u>Financial statement categories:</u>		
Charitable remainder trusts	\$ 136,030	\$ 142,140
Other	22,388,183	24,565,772
	<u>\$ 22,524,213</u>	<u>\$ 24,707,912</u>
<u>Types of investments:</u>		
<u>Publicly traded securities:</u>		
Equity	\$ 13,684,987	\$ 16,680,231
Debt	8,320,550	7,635,225
Other	78,092	-
Real estate remainder interests	328,456	328,456
Other	112,128	64,000
	<u>\$ 22,524,213</u>	<u>\$ 24,707,912</u>

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

	<u>2011</u>	<u>2010</u>
Realized gains (losses)	\$ 62,262	\$ 774,152
Unrealized gains	(913,026)	1,147,861
Fees	(125,965)	(134,690)
	<u>\$ (976,729)</u>	<u>\$ 1,787,323</u>

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Office equipment	\$ 34,766	\$ 30,927
Furniture	14,908	14,908
Signage	10,032	10,032
Computer software	47,820	47,820
	<u>107,526</u>	<u>103,687</u>
Accumulated depreciation	<u>(87,016)</u>	<u>(95,609)</u>
Property and equipment, net	<u>\$ 20,510</u>	<u>\$ 8,078</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 \$24,174 at December 31, 2011, with an additional \$21,185 cumulative deficiency to be paid if annual income exceeds 5% of assets

NOTE 7 – OPERATING LEASES

The Foundation uses office space under an operating lease whose term expired in January 2011. Thereafter, the Foundation is using the space on month-to-month basis. The Foundation also rents off site storage space. Rent expense totaled \$65,458 and \$63,930 in 2011 and 2010, respectively.

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 \$1,579,152 and \$1,636,699 at December 31, 2011 and 2010, respectively.

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NOTE 8 – AGENCY ENDOWMENTS (Continued)

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

	<u>2011</u>	<u>2010</u>
Total amounts raised	\$ 6,043,938	\$ 6,265,076
Less: amounts received as agency endowments	<u>(69,577)</u>	<u>(152,725)</u>
Contributions revenue	<u>\$ 5,974,361</u>	<u>\$ 6,112,351</u>
Total grants made	\$ 4,908,895	\$ 5,955,469
Less: grants made from agency endowments	<u>(90,292)</u>	<u>(141,161)</u>
Grants expense	<u>\$ 4,818,603</u>	<u>\$ 5,814,308</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Contributions receivable	\$ 1,279,916	\$ 1,903,139
Remainder interest from split-interest agreement	111,856	115,366
Restricted for specific purposes	<u>332,834</u>	<u>359,342</u>
	<u>\$ 1,724,606</u>	<u>\$ 2,377,847</u>

Net assets released from restrictions consisted of the following:

	<u>2011</u>	<u>2010</u>
Net cash received against promises to give	\$ 873,273	\$ 748,806
Satisfaction of program restrictions	424,008	685,086
Other	<u>20,000</u>	<u>-</u>
	<u>\$ 1,317,281</u>	<u>\$ 1,433,892</u>

NOTE 10 – IN-KIND CONTRIBUTIONS

Donated services valued at \$60,634 and \$87,717 have been recorded in the financial statements at fair market value in 2011 and 2010, 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 11 – 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 \$45,010 and \$44,519 in 2011 and 2010, respectively.