

JOHNSON KIGHTLINGER & COMPANY

**THE COMMUNITY FOUNDATION
SERVING BOULDER COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

We have audited the accompanying consolidated financial statements of The Community Foundation Serving Boulder County and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 and subsidiaries as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson Kightlinger & Company

JOHNSON KIGHTLINGER & COMPANY
August 16, 2013

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents (Note 1)	\$ 7,650,553	\$ 10,010,476
Contributions receivable (Note 2)	1,147,877	1,279,916
Notes receivable (Note 3)	140,000	200,000
Investments (Note 4)	28,221,978	22,388,183
Investments - charitable remainder trusts (Note 4)	147,616	136,030
Property and equipment, net (Note 5)	15,289	20,510
Prepaid expenses and other	17,170	17,359
Total assets	<u>\$ 37,340,483</u>	<u>\$ 34,052,474</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 695	\$ 25,239
Grants payable	72,250	166,692
Liability under split-interest agreement (Note 6)	25,378	24,174
Assets held for others (Note 8)	1,741,302	1,579,152
Total liabilities	<u>1,839,625</u>	<u>1,795,257</u>
COMMITMENT (Note 7)		
NET ASSETS		
Unrestricted	33,847,150	30,532,611
Temporarily restricted (Note 9)	1,653,708	1,724,606
Total net assets	<u>35,500,858</u>	<u>32,257,217</u>
Total liabilities and net assets	<u>\$ 37,340,483</u>	<u>\$ 34,052,474</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND SUPPORT			
Contributions (Note 8)	\$ 5,209,069	\$ 759,824	\$ 5,968,893
Investment income - dividends and interest	773,615	-	773,615
In-kind donations (Note 10)	118,578	-	118,578
Program revenue	64,554	-	64,554
Investment management fees	18,655	-	18,655
Change in value of split interest agreement	-	10,382	10,382
Net assets released from restrictions (Note 9)	841,104	(841,104)	-
Total revenue and support	<u>7,025,575</u>	<u>(70,898)</u>	<u>6,954,677</u>
Net investment gains (Note 4)	<u>1,554,429</u>	<u>-</u>	<u>1,554,429</u>
Total revenue, gains and support	<u>8,580,004</u>	<u>(70,898)</u>	<u>8,509,106</u>
EXPENSES AND LOSSES			
Program services - grants	3,987,069	-	3,987,069
Program services - other	296,131	-	296,131
Supporting services	982,265	-	982,265
Total expenses	<u>5,265,465</u>	<u>-</u>	<u>5,265,465</u>
CHANGE IN NET ASSETS	<u>3,314,539</u>	<u>(70,898)</u>	<u>3,243,641</u>
NET ASSETS - BEGINNING OF YEAR	<u>30,532,611</u>	<u>1,724,606</u>	<u>32,257,217</u>
NET ASSETS - END OF YEAR	<u>\$ 33,847,150</u>	<u>\$ 1,653,708</u>	<u>\$ 35,500,858</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 agreement	-	(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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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)	\$ 3,796,592	\$ -	\$ 3,796,592	\$ -	\$ -	\$ -	\$ 3,796,592
Salaries, payroll taxes, and benefits	134,636	203,966	338,602	379,390	226,683	606,073	944,675
Office expenses	16,042	24,302	40,344	45,202	27,011	72,213	112,557
Awards and banquets	-	11,476	11,476	-	26,778	26,778	38,254
Consultant and contract employees	-	5,103	5,103	28,074	17,864	45,938	51,041
Advertising and marketing	-	30,933	30,933	-	100,345	100,345	131,278
Printing and publications	-	1,909	1,909	3,818	1,909	5,727	7,636
Rent	9,954	15,081	25,035	28,050	16,760	44,810	69,845
Professional fees	1,475	2,234	3,709	11,306	9,633	20,939	24,648
Conference and travel	27,626	-	27,626	28,466	27,626	56,092	83,718
Depreciation	744	1,127	1,871	2,097	1,253	3,350	5,221
TOTAL EXPENSES	<u>\$ 3,987,069</u>	<u>\$ 296,131</u>	<u>\$ 4,283,200</u>	<u>\$ 526,403</u>	<u>\$ 455,862</u>	<u>\$ 982,265</u>	<u>\$ 5,265,465</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	1,728.00	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	\$ 4,903,715	\$ 310,740	\$ 5,214,455	\$ 592,728	\$ 412,838	\$ 1,005,566	\$ 6,220,021

See Notes to Consolidated Financial Statements

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,243,641	\$ (428,436)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,221	6,630
Change in value of split-interest agreements	1,204	655
Contribution receivable discount	(17,080)	(17,782)
Donated investments	(1,434,057)	(1,458,990)
Unrealized (gain) loss on investments	(1,428,236)	913,025
Changes in operating assets and liabilities:		
Contributions receivable	149,119	641,005
Notes receivable	60,000	(100,000)
Other assets	189	1,537
Accounts payable and accrued liabilities	(24,544)	9,398
Grants payable	(94,442)	154,192
Assets held for other not-for-profit organizations	162,150	(57,547)
Net cash from operating activities	<u>623,165</u>	<u>(336,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	-	(19,094)
Change in investments, net	(2,983,088)	2,729,664
Net cash from investing activities	<u>(2,983,088)</u>	<u>2,710,570</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,359,923)</u>	<u>2,374,257</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,010,476</u>	<u>7,636,219</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,650,553</u>	<u>\$ 10,010,476</u>
NONCASH TRANSACTIONS		
Donated materials and services	<u>\$ 118,578</u>	<u>\$ 60,634</u>

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, 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, 2012

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, 2012

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 \$131,278 and \$105,314 in 2012 and 2011 respectively, of which \$91,170 and \$54,924 respectively was contributed as in-kind donations.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, 28% of contributions receivable were due from two foundations, and at December 31, 2011, 35% of contributions receivable were due from one customer. 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 at December 31:

	<u>2012</u>	<u>2011</u>
Assets measured on recurring basis using Level 1 inputs:		
Cash equivalents – money market funds	\$ 2,077,114	\$ 4,798,022
Cash equivalents – certificates of deposit	5,293,000	5,030,431
Publicly traded securities	28,698,050	22,523,940
	<u>\$ 36,068,164</u>	<u>\$ 32,352,393</u>
Assets measured on a nonrecurring basis using Level 3 inputs:		
Real estate remainder interests	\$ -	\$ 328,456
Restricted stock	-	84,096
	<u>\$ -</u>	<u>\$ 412,552</u>

The Foundation's EFCO subsidiary held warrants for stock and other ownership interests in a portfolio of privately held companies at December 31, 2012 and 2011. No value is included for the warrants in the accompanying financial statements because the Foundation considers that they have no current market value.

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Gains and losses relating to publicly traded securities and assets measured using Level 3 inputs are included in net investment gains or losses on the accompanying statements of activities, as more fully described in Note 4. The Foundation uses the market approach to value assets measured using Level 3 inputs.

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 Organization has taken no tax positions it believes are unlikely to be upheld, or that might jeopardize its tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information.

Accordingly, no provision for income taxes is included in the accompanying financial statements. Should its tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS. The Organization's federal information returns (Forms 990) for 2010, 2011 and 2012 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 16, 2013, the date the financial statements were available to be issued.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Face value	\$ 1,234,166	1,383,284
Unamortized discount	<u>(86,289)</u>	<u>(103,368)</u>
	<u>\$ 1,147,877</u>	<u>\$ 1,279,916</u>

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

Contributions receivable includes the current balance of an \$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 \$17,080 and \$17,782 in 2012 and 2011, respectively. Future payments of contributions receivable consisted of the following at December 31, 2011:

<u>Amounts due in:</u>	
One year or less	\$ 436,061
Two to five years	472,717
More than five years	<u>239,099</u>
	<u>\$ 1,147,877</u>

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 – NOTES RECEIVABLE

Notes receivable consisted of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Face value	\$ 290,000	\$ 350,000
Allowance for uncollectible	(150,000)	(150,000)
	<u>\$ 140,000</u>	<u>\$ 200,000</u>

Future payments on notes receivable consisted of the following at December 31, 2012:

<u>Amounts due in:</u>	
One year or less	\$ 30,000
Two to five years	110,000
	<u>\$ 140,000</u>

NOTE 4 – INVESTMENTS

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

	<u>2012</u>	<u>2011</u>
<u>Financial statement categories:</u>		
Charitable remainder trusts	\$ 147,616	\$ 136,030
Other	28,221,978	22,388,183
	<u>\$ 28,369,594</u>	<u>\$ 22,524,213</u>
<u>Types of investments:</u>		
<u>Publicly traded securities:</u>		
Equity	\$ 17,663,487	\$ 13,684,987
Debt	10,689,120	8,320,550
Other	16,987	78,092
Real estate remainder interests	-	328,456
Other	-	112,128
	<u>\$ 28,369,594</u>	<u>\$ 22,524,213</u>

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

	<u>2012</u>	<u>2011</u>
Realized gains	\$ 264,750	\$ 62,262
Unrealized gains (losses)	1,428,236	(913,026)
Fees	(138,557)	(125,965)
	<u>\$ 1,554,429</u>	<u>\$ (976,729)</u>

**THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 34,766	\$ 34,766
Furniture	14,908	14,908
Signage	10,032	10,032
Computer software	47,820	47,820
	<u>107,526</u>	<u>107,526</u>
Accumulated depreciation	<u>(92,237)</u>	<u>(87,016)</u>
Property and equipment, net	<u>\$ 15,289</u>	<u>\$ 20,510</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 \$25,378 and \$24,174 at December 31, 2012 and 2011. The agreement requires the Foundation to pay an additional amount (\$23,894 as of December 31, 2012) to make up cumulative deficiencies if annual income exceeds 5% of assets.

NOTE 7 – OPERATING LEASES

The Foundation uses office space under an operating lease that was renewed in January 2012. The lease calls for monthly payments of \$3,495 until January 2015. The Foundation also rents off site storage space. Rent expense totaled \$69,845 and \$65,458 in 2012 and 2011, respectively.

Minimum future lease commitments under these leases at December 31, 2012 were as follows:

2013	\$ 41,940
2014	41,940
2015	<u>3,495</u>
	<u>\$ 87,375</u>

NOTE 8 – ASSETS HELD FOR OTHERS

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 \$1,741,302 and \$1,579,152 at December 31, 2012 and 2011, respectively.

THE COMMUNITY FOUNDATION SERVING BOULDER COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8 – ASSETS HELD FOR OTHERS (Continued)

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

	<u>2012</u>	<u>2011</u>
Total amounts raised	\$ 6,020,493	\$ 6,043,938
Less: amounts received as agency endowments	<u>(51,600)</u>	<u>(69,577)</u>
Contributions revenue	<u>\$ 5,968,893</u>	<u>\$ 5,974,361</u>
Total grants made	\$ 3,828,560	\$ 4,908,895
Less: grants made from agency endowments	<u>(31,968)</u>	<u>(90,292)</u>
Grants expense	<u>\$ 3,796,592</u>	<u>\$ 4,818,603</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Contributions receivable	\$ 1,147,877	\$ 1,279,916
Remainder interest from split-interest agreement	122,238	111,856
Restricted for specific purposes	<u>383,593</u>	<u>332,834</u>
	<u>\$ 1,653,708</u>	<u>\$ 1,724,606</u>

Net assets released from restrictions consisted of the following:

	<u>2012</u>	<u>2011</u>
Net cash received against promises to give	\$ 637,483	\$ 873,273
Satisfaction of program restrictions	199,715	424,008
Other	<u>3,906</u>	<u>20,000</u>
	<u>\$ 841,104</u>	<u>\$ 1,317,281</u>

NOTE 10 – IN-KIND CONTRIBUTIONS

Donated services valued at \$118,578 and \$60,634 have been recorded in the financial statements at fair market value in 2012 and 2011, 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 \$48,939 and \$45,010 in 2012 and 2011, respectively.