

Taos Community Foundation

Financial Statements

June 30, 2007

(With Independent Auditors' Report Thereon)

TAOS COMMUNITY FOUNDATION

June 30, 2007

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Independent Auditors' Report

Board of Directors
Taos Community Foundation
Taos, New Mexico

We have audited the accompanying statements of financial position of Taos Community Foundation, Inc. as of June 30, 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Taos Community Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taos Community Foundation as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

January 25, 2008

A handwritten signature in black ink, appearing to read "Dwight J. ... P.C.", is written over the printed name of the auditing firm.

TAOS COMMUNITY FOUNDATION

Statement of Financial Position

June 30, 2007

	<u>2007</u>
ASSETS	
Assets	
Cash and cash equivalents	\$ 389,242
Accounts receivable	280
Unconditional promises to give	64,890
Prepaid expenses	<u>4,573</u>
Total Current Assets	<u>458,985</u>
Unconditional promises to give, noncurrent	10,000
Investments, at market	4,260,861
Deferred compensation	<u>50,254</u>
	<u>4,321,115</u>
Furniture and equipment	40,461
Less: accumulated depreciation	<u>(12,840)</u>
Net furniture and equipment	<u>27,621</u>
Total Non-Current Assets	<u>4,348,736</u>
Total Assets	<u><u>\$ 4,807,721</u></u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 9,497
Grants payable	15,500
Accrued expenses	1,824
Deferred compensation	50,254
Funds held as agency endowments	<u>1,817,480</u>
Total Liabilities	<u>1,894,555</u>
Net Assets	
Unrestricted	1,307,681
Temporarily restricted	569,807
Permanently restricted	<u>1,035,678</u>
	<u>2,913,166</u>
Total Liabilities and Net Assets	<u><u>\$ 4,807,721</u></u>

The accompanying notes are an integral part of this financial statement.

TAOS COMMUNITY FOUNDATION

Statement of Activities

Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue, Gains and Other Income</u>				
Contributions	\$ 257,230	\$ 261,420	\$ 211,659	\$ 730,309
Event income	-	32,153	-	32,153
Interest and dividends	39,403	10,912	-	50,315
Realized and unrealized gains	440,208	-	-	440,208
Other income	10,805	2,400	-	13,205
Net assets released from restriction	206,907	(206,907)	-	-
	<u>954,553</u>	<u>99,978</u>	<u>211,659</u>	<u>1,266,190</u>
<u>Expenses</u>				
<u>Program Services</u>				
Grants	196,403	-	-	196,403
Program expenses	356,764	-	-	356,764
	<u>553,167</u>	<u>-</u>	<u>-</u>	<u>553,167</u>
<u>Supporting Services</u>				
General and administrative	15,187	-	-	15,187
Fundraising	10,137	-	-	10,137
	<u>25,324</u>	<u>-</u>	<u>-</u>	<u>25,324</u>
	<u>578,491</u>	<u>-</u>	<u>-</u>	<u>578,491</u>
Change in net assets	<u>376,062</u>	<u>99,978</u>	<u>211,659</u>	<u>687,699</u>
Net assets, beginning of year	313,616	118,267	1,793,584	2,225,467
Net asset reclassification	618,003	351,562	(969,565)	-
Net assets, as reclassified	<u>931,619</u>	<u>469,829</u>	<u>824,019</u>	<u>2,225,467</u>
Net assets, end of year	<u>\$ 1,307,681</u>	<u>\$ 569,807</u>	<u>\$ 1,035,678</u>	<u>\$ 2,913,166</u>

The accompanying notes are an integral part of this financial statement.

TAOS COMMUNITY FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2007

	2007
Cash flows from operating activities	
Change in net assets	\$ 687,699
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Realized and unrealized (gain)/loss on investments	(440,208)
Depreciation	1,152
Donated stock	(71,797)
Donated furniture and fixtures	(9,390)
Changes in operating assets and liabilities	
Receivables	(6,650)
Prepaid expenses	(1,966)
Accounts payable	6,331
Accrued expenses	17,592
Funds held as agency endowments	697,949
Grants payable	(106,582)
Increase in deferred compensation plan	(17,306)
Net cash provided by operating activities	756,824
Cash proceeds from sale of securities	
Purchase of equipment	(17,051)
Purchase of investments	(3,198,850)
Proceeds from sale of investments	2,619,898
Net cash (used) by investing activities	(596,003)
Net increase in cash and cash equivalents	160,821
Cash and cash equivalents, beginning of year	228,421
Cash and cash equivalents, end of year	\$ 389,242

The accompanying notes are an integral part of this financial statement.

TAOS COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2007

(1) Nature of Organization

The Taos Community Foundation was formed in 1994. The Foundation's mission is to create an active endowment supporting effective philanthropy to meet community needs. Grants are made to 501(c)(3) organizations in Taos and Western Colfax counties, which serve the areas of health and human services, education and activities for youth, visual, literacy and performing arts, economic and community development, natural environment and historic preservation. Contributions are received from individuals, businesses and foundations.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Taos Community Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Foundation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Permanently Restricted Net Assets

Permanently restricted net assets include the historical dollar amounts of gifts (including unconditional promises to give), trusts and remainder interests required by donors to be permanently retained.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts, unconditional promises to give, trusts and remainder interests, income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include where donors have specified the purpose for which the net assets are to be spent, time limitations imposed by donors or implied by the nature of the gift.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

TAOS COMMUNITY FOUNDATION
Notes to Financial Statements (Continued)

June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Funds Held for Agencies

The Taos Community Foundation has adopted Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (SFAS 136). This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. SFAS 136 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with SFAS 136, a liability has been established for the fair value of the funds.

Use of Estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the cash flows statement, cash and cash equivalents include cash in financial institutions and highly liquid investments with maturity dates of three months or less.

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

TAOS COMMUNITY FOUNDATION

Notes to Financial Statements (Continued)

June 30, 2007

(2) Summary of Significant Accounting Policies (Continued)

Investments

The Foundation carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Furniture and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Donated Services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers provided valuable services throughout the year that are not recognized as contributions in the financial statements because the recognition criteria under SFAS No. 116 were not met.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Allocation of Functional Expenses

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

Income Taxes

The Foundation is a non-profit corporation exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code.

Reclassification

Previously reported net assets as of June 30, 2006 have been reclassified to more accurately reflect the definitions of unrestricted, temporarily restricted, and permanently restricted net assets.

TAOS COMMUNITY FOUNDATION
Notes to Financial Statements (Continued)

June 30, 2007

(3) Promises to Give

Unconditional promises to give at June 30, 2007 are as follows:

Receivable in less than one year	\$ 64,890
Receivable in one to five years	<u>10,000</u>
	<u>\$ 74,890</u>

Management believes these amounts are fully collectible therefore no allowance has been recorded. A present value allowance for long term pledges has not been recorded as the amount is insignificant to the financial statements.

(4) Investments

Investments are stated at fair market value and are summarized for June 30, 2007 as follows:

	Cost	Market Value
Equities and mutual funds	<u>\$ 3,694,914</u>	<u>\$ 4,260,861</u>

(5) Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2007
Donor advised funds	\$ 111,875
Field of interest	406,580
Special programs	<u>51,352</u>
	<u>\$ 569,807</u>

Permanently restricted net assets consist of the following:

	2007
Permanent endowments	<u>\$ 1,035,678</u>

TAOS COMMUNITY FOUNDATION

Notes to Financial Statements (Continued)

June 30, 2007

(6) **Deferred Compensation Plan**

The Foundation has a nonqualified deferred compensation plan for the Executive Director. The plan states that the Executive Director contributes 7% of gross salary and the Foundation matches that amount. The balance is \$50,254 at June 30, 2007 and the Foundation's expense for the year ended June 30, 2007 was \$4,626.

(7) **Operating Lease Commitment**

The Foundation was paying \$800 per month for office rent, under an oral agreement that had no fixed expiration date. In April of 2007, a new one year lease was signed running from May 1, 2007 through April 30, 2008 for monthly rent of \$900.

(8) **Transactions in Funds Held for Agencies**

During 2007 the Foundation had 10 designated agency endowment funds, with a combined value of \$1,817,480.

The financial effects of transactions related to agency funds are recorded as changes in the funds held for agencies liability and are not included in the 2007 statement of activities. The changes in that liability are summarized as follows:

Funds held for agencies at June 30, 2006	\$ 1,119,531
Additions:	
Contributions	448,609
Investment income	27,943
Unrealized gains (losses)	135,902
Realized gains (losses)	123,001
Other	1,310
Total additions	<u>736,765</u>
Deductions:	
Distributions - grants	19,371
Investment expenses	19,445
Total deductions	<u>38,816</u>
Funds held for agencies at June 30, 2007	<u>\$ 1,817,480</u>