

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

TAOS COMMUNITY FOUNDATION, INC.

Financial Statements
and
Independent Auditors' Reports

June 30, 2009 and 2008

TAOS COMMUNITY FOUNDATION, INC.

TABLE OF CONTENTS

INTRODUCTORY SECTION

Board of Directors and Principal Employees1

FINANCIAL STATEMENTS

Independent Auditors' Report2

Statements of Financial Position3

Statements of Activities and Changes in Net Assets4

Statements of Cash Flows6

Notes to Financial Statements.....7

TAOS COMMUNITY FOUNDATION

JUNE 30, 2009

BOARD OF DIRECTORS AND PRINCIPAL EMPLOYEES

Board of Directors

Angel Reyes	Chairman
Barney Berkowitz	Vice-chairman
Betty Backer	Treasurer
Arthur Sargent	Secretary
BT Coleman	Member
Leslee Peterson	Member
Eleanor Romero	Member
George Bornstein	Member
John Speirs	Member
David Standridge	Member
Wanda Quintana	Member
Billie Knight	Member

Principal Employees

Elizabeth Crittenden Palacios	Executive Director
-------------------------------	--------------------

Independent Auditors' Report

Board of Directors and Management
Taos Community Foundation, Inc.
Taos, New Mexico

We have audited the accompanying statements of financial position of Taos Community Foundation, Inc. (Foundation), a nonprofit organization, as of June 30, 2009 and 2008, and the related statements of activities and changes in nets assets and cash flows for the years then ended. These financial statements are the responsibility of Taos Community Foundation's management. Our responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Taos Community Foundation, Inc. as of June 30, 2009 and 2008, 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.

Porch & Associates LLC

Albuquerque, New Mexico
December 10, 2009

TAOS COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
Years Ended June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 302,012	207,213
Accounts receivable	275	28,500
Unconditional promises to give	-	8,805
Prepaid expenses	1,898	2,130
Total current assets	304,185	246,648
Noncurrent Assets		
Unconditional promises to give	14,692	14,692
Investments	3,614,370	4,950,232
Deferred compensation	54,857	53,274
	3,683,919	5,018,198
Property and Equipment		
Leasehold improvements	8,879	8,879
Furniture and equipment	29,906	29,906
Software	4,513	4,513
Accumulated depreciation	(21,865)	(17,253)
Property and equipment, net	21,433	26,045
Total noncurrent assets	3,705,352	5,044,243
Total assets	\$ 4,009,537	5,290,891
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,444	5,693
Grants payable	30,550	172,730
Accrued expenses	2,563	2,410
Deferred compensation	54,857	53,274
Total current liabilities	92,414	234,107
Funds held as agency endowments	1,945,484	2,551,890
Net Assets		
Unrestricted	204,335	758,642
Temporarily restricted	519,293	591,416
Permanently restricted	1,248,011	1,154,836
Total net assets	1,971,639	2,504,894
Total liabilities and net assets	\$ 4,009,537	5,290,891

The accompanying notes are an integral part of these financial statements.

TAOS COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Revenues and Gains				
Contributions	\$ 140,697	179,239	93,175	413,111
Event income	87,326	49,645	-	136,971
Dividends and interest	28,251	8,203	-	36,454
Realized and unrealized loss on investments	(550,223)	-	-	(550,223)
Total revenues and gains	(293,949)	237,087	93,175	36,313
Other Support				
In-kind contributions	504,094	-	-	504,094
Total revenue and other support	210,145	237,087	93,175	540,407
Net assets released from restrictions	309,210	(309,210)	-	-
Total revenue, gains, and other support after release	519,355	(72,123)	93,175	540,407
Expenses				
Grants	166,814	-	-	166,814
Program expenses	368,013	-	-	368,013
General and administrative	19,049	-	-	19,049
Fundraising	15,692	-	-	15,692
In-kind expense	504,094	-	-	504,094
Total expenses	1,073,662	-	-	1,073,662
Change in net assets	(554,307)	(72,123)	93,175	(533,255)
Net assets, beginning of year	758,642	591,416	1,154,836	2,504,894
Net assets, end of year	\$ 204,335	519,293	1,248,011	1,971,639

The accompanying notes are an integral part of these financial statements.

TAOS COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Revenues and Gains				
Contributions	\$ 136,913	276,008	8,725	421,646
Event income	109,724	52,970	6,615	169,309
Dividends and interest	38,612	11,809	-	50,421
Realized and unrealized loss on investments	(313,911)	-	-	(313,911)
Total revenues and gains	(28,662)	340,787	15,340	327,465
Other Support				
In-kind contributions	145,162	-	-	145,162
Total revenue and other support	116,500	340,787	15,340	472,627
Net assets released from restrictions	289,089	(289,089)	-	-
Total revenue, gains, and other support after release	405,589	51,698	15,340	472,627
Expenses				
Grants	280,243	-	-	280,243
Program expenses	425,255	-	-	425,255
General and administrative	18,143	-	-	18,143
Fundraising	12,096	-	-	12,096
In-kind expense	145,162	-	-	145,162
Total expenses	880,899	-	-	880,899
Change in net assets	(475,310)	51,698	15,340	(408,272)
Net assets, beginning of year	1,233,952	539,718	1,139,496	2,913,166
Net assets, end of year	\$ 758,642	591,416	1,154,836	2,504,894

The accompanying notes are an integral part of these financial statements.

TAOS COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ (533,255)	(408,272)
Adjustments to reconcile the change in net assets to net cash flows provided by operating activities:		
Realized and unrealized loss on investments	550,223	313,911
Depreciation	4,612	4,414
Donated stock	(37,164)	(86,872)
Changes in assets and liabilities:		
Accounts receivable	28,225	23,173
Unconditional promises to give	8,805	-
Prepaid expenses	232	2,443
Accounts payable	(1,249)	(3,804)
Accrued expenses	153	586
Funds held as agency endowments	(606,406)	734,410
Grants payable	(142,180)	157,230
Net cash flows (used) provided by operating activities	(728,004)	737,219
Cash Flows From Investing Activities		
Purchase of equipment	-	(2,838)
Purchase of investments	(2,076,608)	(6,469,484)
Proceeds from sale of investments	2,899,411	5,553,074
Net cash flows provided (used) by investing activities	822,803	(919,248)
Net increase (decrease) in cash	94,799	(182,029)
Cash, beginning of year	207,213	389,242
Cash, end of year	\$ 302,012	207,213

The accompanying notes are an integral part of these financial statements.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1. ORGANIZATION

The Taos Community Foundation, Inc. (Foundation) was formed in 1994. The mission of the Foundation is to enhance the quality of life in the communities it serves by encouraging permanent charitable giving to meet the needs of present and future generations. This is achieved by initiating projects and coordinating resources that promote a healthy and safe community. The Foundation serves Taos and western Colfax counties, offering people a variety of ways to touch the community through giving. Grants are made to 501(c)(3) organizations in these counties, which serve the areas of health and human services, education and activities for youth, visual, literary and performing arts, economic and community development, natural environment and historic preservation. The Foundation pools the contributions of many individuals and businesses, which in turn enables more strategic funding to non-profits working to make a difference and effect change. Contributions are received from individuals, businesses, and foundations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in the understanding of the Foundation's financial statements. The financial statements and notes are the representations of the Foundation's management who is responsible for their integrity and objectivity.

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

Basis of Financial Statement Presentation. The accompanying financial statements are presented in accordance with the accounting and reporting standards required by Statements of Financial Standards No. 116 and 117. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted Net Assets – represent those assets that the Foundation may use at its discretion. Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – represent those assets subject to restrictions imposed by donors, grantors, or contract provision that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Permanently Restricted Net Assets – result from donor-imposed stipulations that neither expire by the passage of time or can be fulfilled or otherwise removed by actions of the Foundation.

Cash and Cash Equivalents. For purposes of the statements of cash flows, the Foundation considers all liquid investments having initial maturities of three months or less to be cash equivalents. Money market funds held as a portion of the Foundation's investment portfolio, are classified as short-term investments and are considered to be cash equivalents. Cash equivalents and short-term investments are stated at cost, which approximates market value.

Investments. Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Pledges Receivable. Management feels that pledges receivable are fully collectible and, accordingly, no allowance has been provided for uncollectible accounts.

Furniture and Equipment. Acquisition of property and equipment of \$500 or more with a useful life of more than one year are recorded at cost if purchased and fair market value if donated. Depreciation is provided for using the straight line method over the following estimated useful lives:

Furniture and Equipment	5 to 7 years
Leasehold Improvements	5 to 10 years
Software	3 years

Depreciation expense was \$4,612 and \$4,414 for the years ended June 30, 2009 and 2008, respectively.

Contributions of Long-Lived Assets. Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Donor Restricted Gifts. Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Foundation, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. There are no outstanding conditional promises to give at June 30, 2009 or 2008.

Grant Revenues. Grant revenues are recognized according to the type of grant:

Grants based on a direct cost reimbursement for expenditures incurred under the grant scope of work – revenues are recognized at the time of expenditure and billed to the grantor on a monthly or quarterly basis as required by the grant.

Grants in which funds are disbursed to the Foundation prior to service being rendered – revenue is recognized when funds are received, unexpended funds at the end of the fiscal year are reported as temporarily restricted net assets or deferred revenue.

Grants in which fee-for services are billed for payment – revenues are recognized after services are provided and billed.

Donated Goods and Services. Donated materials, equipment, and services are recorded as in-kind contributions in the accompanying financial statements at their estimated fair values as of the date received.

Donated Marketable Securities. Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Income Taxes. The Foundation is a not-for-profit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As such, its activities generally will not result in any income tax liability.

Advertising. The cost of advertising is expensed in the year incurred.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Functional Expense Allocation. The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Risk Management. The Foundation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Foundation has obtained commercial insurance coverage to protect itself against such losses.

NOTE 3. INVESTMENTS

During the year ended June 30, 2009, all investments held by the Foundation were in debt securities and equity securities with readily determinable fair values and are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Realized loss on the sales of these investments was \$262,733. Costs and carrying value of investments as of June 30, 2009 are as follows:

2009	Cost	Fair Value Adjustment	Carrying Value
Stocks and fixed income investments	\$ 4,149,930	(535,560)	<u>3,614,370</u>

For the year ended June 30, 2009, unrealized loss on investments was recognized in the amount of \$287,490.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 3. INVESTMENTS (CONTINUED)

During the year ended June 30, 2008, all investments held by the Foundation were in debt securities and equity securities with readily determinable fair values and are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Realized gain on the sales of these investments was \$109,357. Costs and carrying value of investments as of June 30, 2008 are as follows:

2008	Cost	Fair Value Adjustment	Carrying Value
Stocks and fixed income investments	\$ 5,240,328	(290,096)	<u>4,950,232</u>

For the year ended June 30, 2008, unrealized loss on investments was recognized in the amount of \$423,268.

NOTE 4. DONOR-DESIGNATED ENDOWMENTS

The Foundation's endowment consists of approximately 37 and 33 individual funds established for a variety of purposes for the years ended June 30, 2009 and 2008, respectively. The Foundation's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 4. DONOR-DESIGNATED ENDOWMENTS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted an Investment Policy Statement and Guidelines, approved by the Board of Directors, for endowment assets that attempt to achieve a reasonable total return on endowed funds that will optimize annual distributions of the Foundation, while allowing for the long-term growth of the endowment net of management fees. Total return is defined as the aggregate investment return, which includes a combination of current income plus the net impact of prices changes. Income return is defined as the actual dividends and interest earned. Although protection of principal is important, it is understood that some market risk must be assumed in order to fulfill these objectives over the long term. Because the portfolio is expected to endure into perpetuity, and because inflation is a component in the growth of the endowment funds, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, a majority of the assets will be invested in equity or equity-like securities. Fixed income securities will be used to reduce the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Investments of the Foundation will be diversified to reduce portfolio risk. The current allocation guideline for the endowment fund investments is 60% equity securities and 40% fixed income securities. Investments in the securities of any single issuer (stock or bond) may not exceed 5% of the portfolio at market value, except that obligations of the U.S. Government or its agencies may be held in any amounts.

Spending Policy.

The intent of endowed funds is to create and build a permanent financial reserve, the earnings from which can be used for charitable purposes. In that light:

- A new fund must wait until April 1 of the following year before granting any funds.

For all funds that have been in existence prior to January 31 of the current year, the spending policy is as follows:

- The amount available for grants for the coming twelve months will be based on the average fair market value of the fund for the previous twelve closing quarters (or the number of the full quarters the fund has been in existence, if less than twelve), through January 31 of the current year.
- The percentage to be multiplied by the average fair market value of each fund will be determined annually by the Taos Community Foundation Board of Directors, prior to January 1 of each year. Presently, the payout percentage is 5.5% inclusive of fees. The intent of this is to ensure that fund principal amounts are not spent in times of investment and stock market depreciation.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30:

	2009	2008
Receivable in less than one year	\$ -	8,805
Receivable in one to five years	<u>14,692</u>	<u>14,692</u>
	<u>\$ 14,692</u>	<u>23,497</u>

There were no conditional promises to give at June 30, 2009 or 2008. Management believes these amounts are fully collectible and thus there is no allowance for doubtful accounts.

NOTE 6. OPERATING LEASE COMMITMENT

The Foundation pays \$900 per month for rent of its administrative office located in Taos, New Mexico. The Foundation signed a one year lease effective May 2007 and expiring April 2008. The Foundation is currently on a month to month lease. Rent expense for the years ended June 30, 2009 and 2008 was \$10,800.

NOTE 7. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consisted of the following at June 30:

	2009	2008
Donor advised funds	\$ 68,392	88,011
Field of interest	353,703	448,750
Special programs	89,903	51,177
Agency funds	-	693
Designated funds	<u>7,295</u>	<u>2,785</u>
Total temporarily restricted net assets	<u>\$ 519,293</u>	<u>591,416</u>

Permanently restricted net assets are endowments intended to be held in perpetuity. Permanently restricted net assets for June 30, 2009 and 2008 were \$1,248,011 and \$1,154,836, respectively.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 8. DONATED ASSETS AND SERVICES

Generally accepted accounting principles requires that professional service hours (attorney, accountants, doctors... etc) be recorded in the financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in the Foundation's program and in its fund-raising campaigns. The value of these hours is not recorded in the financial statements.

The majority of in-kind donations received by the Foundation are in-kind clothing donations received for the Kids Project award grants. This project provides new apparel, shoes, toys, juvenile products, and other items that benefit children who are ill, living in poverty or are the victims of natural disasters. The Foundation awards the in-kind clothing donations to non-profit organizations through grants. The amount of in-kind revenue attributable to clothing donations for June 30, 2009 and 2008 was \$495,918 and \$142,020, respectively. The Foundation also receives in-kind donations for newspaper advertising, information technology services, and investment administrative fees. Total in-kind contributions for the year ending June 30, 2009 and 2008 were \$504,094 and \$145,161. These have been recorded in the financial statements as in-kind revenue and in-kind expense.

NOTE 9. CONCENTRATIONS OF CREDIT, MARKET, AND BUSINESS RISK

Geographical Concentration. The Foundation's operations are limited to Taos and western Colfax Counties in New Mexico.

Accounts and Pledges Receivable and Revenue Concentration. The Foundation received 84% and 72% of its revenue from contributions in the years ended June 30, 2009 and 2008, respectively. The Foundation depends on contributions for yearly operations.

Credit and Market Risk Concentration. Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. At times during the years ended June 30, 2009 and 2008, the Foundation maintained uninsured cash balances in excess of the amounts insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses on its cash equivalents. The Foundation's investments do not represent significant concentrations of market risk because the Foundation's investment portfolio is adequately diversified among issuers.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 10. DEFERRED COMPENSATION PLAN

The Foundation provides a SIMPLE IRA plan in which the Foundation matches up to 3% of qualified employee gross salaries. SIMPLE IRA employer contributions were \$5,285 and \$3,702 for the years ended June 30, 2009 and 2008, respectively. The Foundation also provides a nonqualified deferred compensation plan for the Executive Director. The Foundation matches up to 7% of gross salary. The Foundation's contribution for the nonqualified deferred compensation plan was \$5,105 and \$5,025 for the years ended June 30, 2009 and 2008, respectively.

NOTE 11. RELATED PARTY TRANSACTION

A member who serves on the Finance Committee for the Foundation is also the owner of a Trust Company that holds and administers a portion of the Foundation's investment portfolio at the direction of the Investment Committee and with approval of the Board of Directors. The Investment Committee acts as investment manager by establishing investment policies and setting goals, and meets on a quarterly basis to review performance. Fees paid to the trustee were \$0 and \$538 for the years ended June 30, 2009 and 2008, respectively.

NOTE 12. FORMATION OF A NONPROFIT CORPORATION

The Foundation has been notified of a real estate gift that is to be given to the Foundation by a nonprofit organization. It is the intent of the donor organization to transfer the property deed to the Foundation after September 2009. The Foundation has drafted Articles of Incorporation and bylaws for a corporation to be named the Taos Foundation for Property Gifts, Inc (TFPG). TFPG will be organized as a New Mexico Nonprofit Corporation. The purpose of the formation of TFPG is to accept the transfer of the deed. The Foundation intends for the real estate to be sold by TFPG with proceeds being transferred to the Foundation. The donated property has not been valued and thus there is no accrual recognized in the financial statements.

TAOS COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 13. FUNDS HELD AS AGENCY ENDOWMENTS

Funds established by an unrelated not-for-profit organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset, in accordance with 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*. The Foundation refers to such funds as agency funds. The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation.

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 consolidated statements of activities. The changes in that liability are summarized as follows:

	2009	2008
Funds held for agencies, beginning of year	\$ 2,551,890	1,817,480
Additions:		
Contributions	33,539	1,209,656
Investment income	35,369	37,747
Net unrealized and realized (losses) gains	(618,028)	(312,646)
Interfund transfers in, net	(2,896)	5,100
Other income, net	-	-
Total additions	<u>(552,016)</u>	<u>939,857</u>
Deductions:		
Distributions – grants	31,655	167,069
Administrative fees	20,085	26,923
Investment expenses	2,650	11,455
Total deductions	<u>54,390</u>	<u>205,447</u>
Balance in agency funds, end of year	<u>\$ 1,945,484</u>	<u>2,551,890</u>