

Albuquerque Community Foundation
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006

INDEPENDENT AUDITORS' REPORT

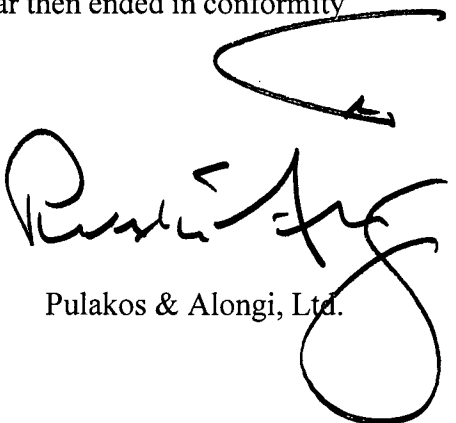
The Board of Trustees
Albuquerque Community Foundation

We have audited the accompanying consolidated statement of financial position of Albuquerque Community Foundation and Subsidiary as of June 30, 2006, and the related consolidated statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2005 consolidated financial statements and, in our report dated August 10, 2005, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides 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 Albuquerque Community Foundation and Subsidiary at June 30, 2006, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

August 11, 2006



Pulakos & Alongi, Ltd.

Albuquerque Community Foundation and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2006
(With Comparative Totals for 2005)

Assets

	2006	2005
Cash and cash equivalents	\$ 717,075	\$ 1,340,231
Investments	38,354,941	33,154,203
Remainder trusts	5,376,267	4,686,554
Prepaid expenses	13,673	6,446
Property and equipment	35,058	43,886
Other assets	58,145	51,917
	\$ 44,555,159	\$ 39,283,237

Liabilities and Net Assets

Liabilities		
Note payable	\$ -	\$ 1,911
Accounts payable	17,974	31,556
Grant payable	221,450	298,808
Remainder trusts	4,995,665	4,392,686
Liability for assets held for community organizations	6,975,726	6,152,788
Total liabilities	12,210,815	10,877,749
Net assets		
Unrestricted	1,280,553	1,156,252
Temporarily restricted	31,063,791	27,249,236
Total net assets	32,344,344	28,405,488
	\$ 44,555,159	\$ 39,283,237

Albuquerque Community Foundation and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITY

Year Ended June 30, 2006
(With Comparative Totals for 2005)

	Unrestricted	Temporarily Restricted	2006 Total	2005 Total
Revenues and other support				
Contributions	\$ 364,450	\$ 3,365,129	\$ 3,729,579	\$ 4,549,867
Investment income	20,216	579,002	599,218	461,913
Gain on investments	54,276	1,926,767	1,981,043	1,501,838
Other	97,588	-	97,588	106,062
Net assets released from restrictions	2,056,343	(2,056,343)	-	-
Total revenues and other support	2,592,873	3,814,555	6,407,428	6,619,680
Expenses				
Distributions and grants	1,662,321	-	1,662,321	1,687,940
Operating expenses	806,251	-	806,251	543,756
Total expenses	2,468,572	-	2,468,572	2,231,696
Change in net assets	124,301	3,814,555	3,938,856	4,387,984
Net assets, beginning of year	1,156,252	27,249,236	28,405,488	24,017,504
Net assets, end of year	\$ 1,280,553	\$ 31,063,791	\$ 32,344,344	\$ 28,405,488

Albuquerque Community Foundation and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2006
(With Comparative Totals for 2005)

	2006	2005
Operating activities		
Changes in net assets	\$ 3,938,856	\$ 4,387,984
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,082	12,888
Gain on investments	(1,348,059)	(1,507,176)
Gain on assets held for community organization	(440,672)	(352,406)
Remainder trust income recognized	(86,734)	(293,868)
Donated assets	(640,317)	(1,002,762)
Loss on sale of stock	53,607	-
Loss on disposal of equipment	278	-
Other changes in operating assets and liabilities		
Prepaid expenses	(7,227)	8,589
Other assets	(6,228)	(14,149)
Accounts payable	(13,582)	15,769
Grants payable	(77,358)	261,308
Liability for assets held for community organizations	822,938	1,234,981
Cash provided by operating activities	2,206,584	2,751,158
Investing activities		
Purchase of investments	(61,753,277)	(15,105,658)
Proceeds from sales of investments	57,977,825	12,662,308
Proceeds from sale of stock	949,155	-
Purchase of equipment	(1,532)	-
Cash used by investing activities	(2,827,829)	(2,443,350)
Financing activities		
Principal payments on note payable	(1,911)	(7,276)
Cash used by financing activities	(1,911)	(7,276)
Change in cash and cash equivalents	(623,156)	300,532
Cash and cash equivalents, beginning of year	1,340,231	1,039,699
Cash and cash equivalents, end of year	\$ 717,075	\$ 1,340,231

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(With Comparative Totals for 2005)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Albuquerque Community Foundation is a nonprofit, publicly supported philanthropic institution in Albuquerque, New Mexico that manages a pool of charitable funds whose income is used to benefit the community through its grants to local nonprofit organizations, educational programs, and scholarships.

Contributions and bequests are received from individuals and corporations. The Foundation coordinates receipt and investment of charitable contributions, distributes funds for community needs, and serves as a leader and education resource by encouraging philanthropy.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of The Albuquerque Community Foundation and its for-profit wholly owned subsidiary, ACF Holdings, LLC. All significant intercompany balances and transactions have been eliminated.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Income tax status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Remainder trusts

The Foundation was named as a beneficial recipient in several charitable remainder trusts. Under the terms of the trust agreement, the Foundation will act as the trustee. The donor has the right to change beneficiaries or the percentage allotted to the Foundation for the trusts. These are accounted for as an obligation until the trust principal reverts to the Foundation and is recorded as a contribution. Assets held in charitable remainder trusts totaled \$4,495,684 in 2006 and \$3,826,652 in 2005 and are reported at fair market value in the Foundation's consolidated statements of financial position.

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006
(With Comparative Totals for 2005)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the Foundation is the beneficiary of the residual for some trusts. Assets held in these charitable trusts totaled \$880,583 in 2006 and \$859,902 in 2005, and are reported at fair market value in the Foundation's consolidated statement of financial position. Annually, the Foundation revalues the liability to make distributions to the designated beneficiaries based on a percentage of the fair market value. The present value of the estimated future payments using a discount rate of 6.7% is \$499,980 in 2006.

Furniture and equipment

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the property. The Foundation capitalizes all asset acquisitions over \$500.

Cash and cash equivalents

Money market accounts with maturities of less than 180 days are classified as cash equivalents. Money market funds within the investment in marketable securities classification are donor restricted and are not considered cash equivalents.

Investments

Investments in marketable securities are carried at fair market value; investments in closely held businesses are carried at their estimated realizable value.

Donations and in-kind contributions

Donated cash securities, real estate, furniture and equipment, and in-kind contributions of services are recorded as assets or contributions at their estimated value at date of receipt. As donations and in-kind contributions are utilized, expense is recorded. The in-kind services and real estate were \$92,533 in 2006 and \$27,098 in 2005.

Any uncollectible pledges are charged to miscellaneous expense in the year the pledge is determined to be uncollectible.

Legally enforceable pledges are recognized as support in the period designated by donor.

Liability for assets held for community organizations

Contributions are not recognized as revenue when the Foundation functions in the capacity of an intermediary, trustee or agent; in these situations, contributions are recognized as a liability for assets held for community organizations.

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006
(With Comparative Totals for 2005)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net assets

Unrestricted:

Unrestricted net assets are available for general use to achieve organizational goals and objectives.

Temporarily restricted:

Temporarily restricted net assets consist of donor contributions and reinvested earnings on the investment principal. The Foundation charges a management fee to administer restricted net assets. Annual distributions and grants are made pursuant to current Foundation policy. Distributions are not based on income but on 5% of the average temporarily restricted account balance.

Prior-year presentation

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2005, from which the summarized information was derived.

NOTE 2 - REMAINDER TRUST ASSETS

	<u>2006</u>	<u>2005</u>
Cash	\$ 4,867	\$ 144,640
Investments	5,250,495	4,430,325
Cash surrender value of life insurance	<u>120,905</u>	<u>111,589</u>
	<u>\$5,376,267</u>	<u>\$4,686,554</u>

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006
(With Comparative Totals for 2005)

NOTE 3 - INVESTMENTS

The Foundation's policy is to pool cash and investments for greater investment return. Investment income (loss) and unrealized gain (loss) on investments are allocated to each fund based on its share of the pool. Investments are summarized as follows:

	2006	2005
Cash and cash equivalents	\$ 734,792	\$ 2,405,720
Domestic equity	11,744,329	20,739,394
International equity	12,395,134	3,374,652
Fixed income	5,414,727	5,631,675
Real estate	3,659,345	-
Private equity	101,404	-
Hedge funds	3,665,893	-
Investment in privately held company	-	1,002,762
Other	639,317	-
	\$ 38,354,941	\$ 33,154,203

	Unrestricted	Temporarily Restricted	Total
June 30, 2006 -			
Interest income	\$ 20,216	\$ 579,002	\$ 599,218
Gain on investment	54,276	1,926,767	1,981,043
Total investment return	\$ 74,492	\$2,505,769	\$2,580,261
June 30, 2005 -			
Interest income	\$ 12,613	\$ 449,300	\$ 461,913
Gain on investment	42,257	1,459,581	1,501,838
Total investment return	\$ 54,870	\$1,908,881	\$1,963,751

Investment consulting fees were \$61,544 in 2006 and \$12,000 in 2005.

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(With Comparative Totals for 2005)

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2006</u>	<u>2005</u>
Computer equipment	\$ 66,893	\$ 52,503
Furniture and fixtures	31,117	48,760
Other	<u>40,662</u>	<u>40,662</u>
	138,672	141,925
Less accumulated depreciation	<u>103,614</u>	<u>98,039</u>
	<u>\$ 35,058</u>	<u>\$ 43,886</u>

NOTE 5 - LIABILITIES FOR ASSETS HELD FOR COMMUNITY ORGANIZATIONS

The Foundation accepts assets from other non-profit organizations and agrees to use those assets and related earnings on behalf of the beneficiary organization. The Foundation's policy is to annually distribute 5% of the average twelve-month fund balance through June 30 if requested by the organization, to the beneficiary and earns an administrative fee. Administrative fees earned by the Foundation were \$41,000 in 2006 and \$50,545 in 2005.

Agency activity follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$6,152,788	\$4,917,807
Additions:		
Contributions	521,869	1,005,377
Investment income (less investment consulting fees of \$13,459)	555,062	441,867
Deductions:		
Distributions to beneficiaries	212,993	161,718
Administration fee	<u>41,000</u>	<u>50,545</u>
Balance, end of year	<u>\$6,975,726</u>	<u>\$6,152,788</u>

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(With Comparative Totals for 2005)

NOTE 6 - NOTE PAYABLE

	<u>2006</u>	<u>2005</u>
Note payable, 8%, unsecured, \$646 due monthly (including interest), balance due October 2005	\$ <u>-</u>	\$ <u>1,911</u>

Interest paid was \$26 in 2006 and \$472 in 2005.

NOTE 7 - OPERATING EXPENSES

Operating expenses were expended in the following functional areas:

	<u>2006</u>	<u>2005</u>
Program services	\$ 176,266	\$ 157,483
Management and general	445,145	118,322
Fundraising	<u>184,840</u>	<u>267,951</u>
	<u>\$ 806,251</u>	<u>\$ 543,756</u>

Net assets released from the temporarily restricted accounts include management fees of approximately \$346,766 in 2006 and \$287,360 in 2005 due to the Foundation (unrestricted) for administrative costs.

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(With Comparative Totals for 2005)

NOTE 8 - NET ASSETS

Temporarily restricted:

	<u>2006</u>	<u>2005</u>
Field of interest funds	\$ 7,809,186	\$ 7,105,611
Scholarship funds	3,568,220	3,400,296
Donor advised funds	14,529,997	11,955,169
Donor designated organization funds	4,899,363	4,664,431
Pass through funds	39,004	37,595
Undesignated donor restricted funds	<u>218,021</u>	<u>86,134</u>
	<u>\$31,063,791</u>	<u>\$27,249,236</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2006</u>	<u>2005</u>
Field of interest funds	\$ 462,762	\$ 438,264
Scholarship funds	176,190	128,674
Donor advised funds	1,037,200	1,103,348
Donor designated organization funds	200,705	139,486
Pass through funds	176,170	189,872
Undesignated donor restricted funds	<u>3,316</u>	<u>11,368</u>
	<u>\$ 2,056,343</u>	<u>\$ 2,011,012</u>

Albuquerque Community Foundation and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(With Comparative Totals for 2005)

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Lease

The Foundation leases its office space and equipment. The office space lease agreement is through September 30, 2007 and the equipment lease agreement is through January 2011. Future minimum lease payments follow: 2007 - \$13,872; 2008 - \$4,512; 2009 - \$1,392; 2010 - \$1,392; 2011 - \$812.

Rent expense was \$12,480 in 2006 and \$12,480 in 2005.

Major contributors

In 2006, the Foundation received two contributions totaling \$2,710,223 from individuals establishing or adding to endowments. In 2005, the Foundation received two contributions totaling \$2,583,103 from individuals establishing or adding to endowments.

Cash concentration

The Foundation maintains balances in financial institutions in excess of federally insured limits.

Simplified Employee Pension Plan

Effective July 1, 2000, the Board of Trustees established a Simple Employee Pension Plan. The Foundation's discretionary contribution to the Plan is determined by the Board of Trustees. Participants must be 21 years of age and have one year of service. Contributions to this Plan were \$20,237 in 2006 and \$15,900 in 2005.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Noncash transaction

	<u>2006</u>	<u>2005</u>
Changes in remainder trust	\$ 602,979	\$ 65,850