

**Albuquerque Community Foundation**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2008 and June 30, 2008**

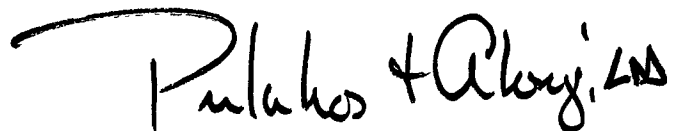
## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Albuquerque Community Foundation

We have audited the accompanying consolidated statements of financial position of Albuquerque Community Foundation and Subsidiary as of December 31, 2008 and June 30, 2008, and the related consolidated statements of activities and cash flows for the six months ended December 31, 2008 and the twelve months ended June 30, 2008. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Albuquerque Community Foundation and Subsidiary at December 31, 2008 and June 30, 2008, and the changes in their net assets and their cash flows for the six months ended December 31, 2008 and the twelve months ended June 30, 2008, in conformity with U.S. generally accepted accounting principles.



May 12, 2009

Pulakos & Alongi, Ltd

**Albuquerque Community Foundation and Subsidiary**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31, 2008 and June 30, 2008**

	<u>Assets</u>	
	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Cash and cash equivalents	\$ 760,042	\$ 1,048,078
Investments	35,957,042	50,922,400
Remainder trusts	3,383,314	4,609,591
Bequests receivable	711,802	-
Prepaid expenses	9,313	42,746
Property and equipment, net	225,323	53,144
Other assets	89,353	75,847
	<u>\$ 41,136,189</u>	<u>\$ 56,751,806</u>

	<u>Liabilities and Net Assets</u>	
Accounts payable	\$ 46,396	\$ 12,227
Grants payable	48,425	58,000
Remainder trusts	3,091,067	4,227,347
Liability for assets held for community organizations	6,872,001	9,495,997
Total liabilities	<u>10,057,889</u>	<u>13,793,571</u>
Unrestricted net assets	<u>31,078,300</u>	<u>42,958,235</u>
	<u>\$ 41,136,189</u>	<u>\$ 56,751,806</u>

## Albuquerque Community Foundation and Subsidiary

### CONSOLIDATED STATEMENTS OF ACTIVITIES

**For the Six Months Ended December 31, 2008  
and the Year Ended June 30, 2008**

	<u>Six Months Ended December 31, 2008</u>	<u>Year Ended June 30, 2008</u>
Revenues and other support		
Contributions	\$ 2,387,079	\$ 2,850,454
Dividends and interest	441,251	1,024,762
Loss on investments	(11,424,838)	(1,147,582)
Other	53,307	131,877
	<hr/>	<hr/>
Total revenues and other support	(8,543,201)	2,859,511
	<hr/>	<hr/>
Expenses		
Program		
Distributions and grants	2,725,109	2,331,744
Other	104,020	154,822
Support		
Management and general	319,194	499,545
Fundraising	188,411	265,179
	<hr/>	<hr/>
Total expenses	3,336,734	3,251,290
	<hr/>	<hr/>
Change in net assets	(11,879,935)	(391,779)
Net assets, beginning of period	42,958,235	43,350,014
	<hr/>	<hr/>
Net assets, end of period	<u>\$ 31,078,300</u>	<u>\$ 42,958,235</u>

## Albuquerque Community Foundation and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS

**For the Six Months Ended December 31, 2008  
and the Year Ended June 20, 2008**

	<b>Six Months Ended December 31, 2008</b>	<b>Year Ended June 30, 2008</b>
Operating activities		
Change in net assets	\$ (11,879,935)	\$ (391,779)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	10,106	10,489
Loss on investments	11,423,641	1,323,872
Loss on assets held for community organizations	2,491,064	5,665
Remainder trust expense recognized	89,997	48,710
Donated property and equipment	(28,128)	-
Other changes in operating assets and liabilities		
Bequests receivable	(711,802)	-
Prepaid expenses	6,155	(27,262)
Other assets	(13,506)	(2,784)
Accounts payable	34,169	(10,331)
Grants payable	(9,575)	58,000
Liability for assets held for community organizations	(2,623,996)	544,142
Cash (used) provided by operating activities	(1,211,810)	1,558,722
Investing activities		
Purchase of investments	(2,389,325)	(18,942,052)
Proceeds from sales of investments	3,439,978	17,369,454
Purchase of property and equipment	(126,879)	(34,014)
Cash provided (used) by investing activities	923,774	(1,606,612)
Change in cash and cash equivalents	(288,036)	(47,890)
Cash and cash equivalents, beginning of period	1,048,078	1,095,968
Cash and cash equivalents, end of period	\$ 760,042	\$ 1,048,078
Supplemental cash flow information		
Changes in remainder trust liability	\$ (1,136,280)	\$ (1,328,925)
Transfer of prepaid expenses to property and equipment	\$ 27,278	\$ -

# **Albuquerque Community Foundation and Subsidiary**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2008 and June 30, 2008**

### **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 student aid awards

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 educational 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 has been named as a beneficial recipient in several charitable remainder trusts. Under the terms of the trust agreement, the Foundation acts 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 \$2,672,863 at December 31, 2008 and \$3,634,032 at June 30, 2008 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

December 31, 2008 and June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the Foundation is the beneficiary of the residual for several trusts. Assets held in these trusts totaled \$710,451 at December 31, 2008 and \$975,559 at June 30, 2008 and are reported at fair market value in the Foundation's consolidated statements 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 discount rates ranging from 5.6%-5.8% was \$418,204 at December 31, 2008 and \$593,315 at June 30, 2008.

#### Cash and cash equivalents

Money market accounts with original maturities of less than 90 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.

#### Property and equipment

Property 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. Depreciation expense was \$10,106 for the six months ended December 31, 2008 and \$10,489 for the year ended June 30, 2008.

#### 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.

#### 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. Total donation and in-kind contributions were \$111,181 for the six months ended December 31, 2008 and \$72,883 for the year ended June 30, 2008.

# Albuquerque Community Foundation and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Endowment administration

Management fees of \$206, 503 for six months ended December 31, 2008 and \$475,734 for year ended June 30, 2008 were paid to the Foundation for administrative costs.

#### Financial instruments

The carrying amounts of cash, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments.

#### Fiscal year

In March 2008, the Board of Trustees approved a change in Albuquerque Community Foundation's fiscal year-end from June 30 to December 31, effective December 31, 2008.

#### Uncertain income tax positions

Management has elected to defer the application of Financial Accounting Standards Board Interpretation Number 48 (FIN48), Accounting for Uncertain Tax Positions. Unless there are further delays in private company implementation dates, the Foundation will adopt the provisions of FIN 48 for the year ending December 31, 2009. Until such time as adoption is required, the Foundation will continue to follow guidance provided in current accounting and reporting standards, primarily Financial Accounting Standards Board Statement Number 5, Accounting for Contingencies

#### Recently issued accounting pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement 157, *Fair Value Measurements* (SFAS 157) This statement defines fair value and establishes a framework for measuring fair value in accordance with generally accepted accounting principles. SFAS 157 is effective for financial statements issued in periods beginning after November 15, 2007 Accordingly, the fair value measurement provisions of SFAS 157 have been adopted as of July 1, 2008 by the Foundation, as disclosed in Note 4 to these financial statements

### NOTE 2 - REMAINDER TRUST ASSETS

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Cash	\$ 214,426	\$ 280,527
Investments	3,073,342	4,200,300
Cash surrender value of life insurance	<u>95,546</u>	<u>128,764</u>
	<u>\$ 3,383,314</u>	<u>\$ 4,609,591</u>

## Albuquerque Community Foundation and Subsidiary

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and June 30, 2008

#### 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 charitable fund based on its share of the pool. Investments are summarized as follows:

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
<b>Investments -</b>		
Cash and cash equivalents	\$ 1,070,324	\$ 557,696
Domestic equity	7,483,116	12,047,062
International equity	6,868,028	11,843,622
Fixed income	7,228,224	8,099,585
Real estate	4,481,843	7,441,134
Private equity	975,162	1,120,937
Hedge funds	7,580,344	9,355,362
Other	270,001	457,002
	<u>\$ 35,957,042</u>	<u>\$ 50,922,400</u>
	<b><u>Six Months Ended</u></b>	<b><u>Year Ended</u></b>
	<b><u>December 31, 2008</u></b>	<b><u>June 30, 2008</u></b>
<b>Return on investments -</b>		
Dividends and interest	\$ 441,282	\$ 1,024,762
Loss on investments	(11,424,838)	(1,147,582)
	<u>\$ (10,983,556)</u>	<u>\$ (122,820)</u>

Investment consulting fees were \$56,308 for the six months ended December 31, 2008 and \$101,557 for the year ended June 30, 2008.

The Board of Trustees of the Foundation, who is responsible for all stewardship of the Foundation, delegated to the Investment Committee the responsibility to ensure that the assets of the Foundation are managed in a manner that is consistent with the policies and objectives of the Foundation. The Investment Committee elected, as allowed by action of the Board, to engage an independent investment-consulting firm to assist the committee's activities. The Investment Committee meets at least quarterly with its investment consultant to review investment performance, asset allocation, and all other matters related to fiduciary oversight of investment assets.

# Albuquerque Community Foundation and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and June 30, 2008

### NOTE 3 - INVESTMENTS- Continued

The central objective of the Foundation investment philosophy is to provide a stable and increasing stream of income for its charitable beneficiaries. The long-term (defined as 20+ years) objective of total return is CPI plus 5.0% plus Foundation's administration fees. The asset allocation of the portfolio is designed for a turbulent market as market fluctuations are expected.

At any point in time, the volatility of the equity markets may substantially impact the value of the Foundation's investments. Subsequent to December 31, 2008, the broad equity markets have continued to decline. The Foundation's investments have declined in a similar manner to the broad equity markets.

Declines or increases in the market value of investments are unrealized until, and if, the investments are sold. The Board of Trustees of the Foundation has the authority to change the level of distributions to preserve the assets of the Foundation to benefit future generations.

#### Private equity investments

The Foundation holds investments in certain private equity ventures, the provisions of which call for the Foundation to commit capital to these investments as a stipulation of participation. The Foundation has committed capital to these investments of \$4,750,000, of which \$1,366,125 has been called and remitted as of December 31, 2008. The remaining capital commitments of \$3,383,875 are callable through 2014. Failure to provide capital upon its call would result in the Foundation losing its right to invest in these ventures.

### NOTE 4 - ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

Assets measured at fair value on a recurring basis comprise the following

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Marketable securities	\$ 34,711,879	\$ 49,344,461
Remainder trust assets	3,383,314	4,609,591
Private equity	975,162	1,120,937
Land	<u>270,001</u>	<u>457,002</u>
	<u>\$ 39,340,356</u>	<u>\$ 55,531,991</u>

**Albuquerque Community Foundation and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2008 and June 30, 2008**

**NOTE 4 - ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS - Continued**

Liabilities measured at fair value on a recurring basis comprise the following:

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Remainder trust liabilities	\$ <u>3,091,067</u>	\$ <u>4,227,347</u>

Fair value for marketable securities and remainder trust assets was determined using quoted prices in active markets. Fair value for land was determined using other observable inputs. Fair value for private equity investments was determined using unobservable inputs, as these investments are carried as net realizable value, as determined in good faith by the general partner in each investment. Fair value for remainder trust liabilities was determined as the present values of future cash flows, based on a percentage of the fair market value of the remainder trust assets.

The following is a reconciliation of activity for assets measured at fair value based on unobservable inputs

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Private equity investments, beginning of period	\$ 1,120,937	\$ 472,851
Cash invested	250,000	620,239
Income distributed	(65,793)	-
Realized/unrealized (loss) gain	<u>(329,982)</u>	<u>27,847</u>
Private equity investments, end of period	<u>\$ 975,162</u>	<u>\$ 1,120,937</u>

Realized and unrealized gains and losses from such investments are reported in the statements of activities as a component of loss on investments

**Albuquerque Community Foundation and Subsidiary**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2008 and June 30, 2008**

**NOTE 5 - BEQUESTS RECEIVABLE**

In 2008, the Foundation received legal notification that it was named as a beneficiary of two bequests. The Foundation is not acting as trustee in either bequest. The trust assets of the bequests include cash and cash equivalents, fixed income investments, equity investments, alternative investments and real estate. The Foundation recorded the cash and cash equivalents and investment at fair market value, and the real estate at net realizable value. The Trustee of both bequests is currently liquidating the real estate, all trust assets will be distributed after full liquidation of all trust assets. The Foundation expects to receive these assets within the next fiscal year.

Trust assets follow:

Cash and cash equivalents	\$ 262,936
Fixed income investments	58,131
Equity investments	44,317
Alternative investments	12,260
Real estate	<u>334,158</u>
Total trust assets	<u>\$ 711,802</u>

Subsequent to December 31, 2008, the Foundation received \$310,000 of the bequest receivable, representing the liquidation of a portion of the real estate and the distribution of a portion of the cash and cash equivalents.

**NOTE 6 - PROPERTY AND EQUIPMENT**

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Computer equipment	\$ 85,540	\$ 83,185
Furniture and fixtures	138,686	27,970
Tenant improvements	<u>116,119</u>	<u>53,292</u>
	340,345	164,447
Less accumulated depreciation	<u>115,022</u>	<u>111,303</u>
	<u>\$ 225,323</u>	<u>\$ 53,144</u>

## Albuquerque Community Foundation and Subsidiary

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and June 30, 2008

#### NOTE 7 - 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 quarters fund balance through December 31 to beneficiaries if requested by the organization. Administrative fees earned by the Foundation under these arrangements were \$26,018 for the six months ended December 31, 2008 and \$56,555 for the year ended June 30, 2008.

Agency activity follows

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Balance, beginning of period	\$ 9,495,997	\$ 8,951,855
Additions:		
Contributions	222,197	1,442,510
Investment (loss) income net of investment consulting fees of \$9,529 for the six months ended December 31, 2008 and \$14,688 for the year ended June 30, 2008	(2,491,064)	(20,350)
Deductions:		
Distributions to beneficiaries	(329,111)	(821,463)
Administration fee	<u>(26,018)</u>	<u>(56,555)</u>
Balance, end of period	<u>\$ 6,872,001</u>	<u>\$ 9,495,997</u>

# Albuquerque Community Foundation and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and June 30, 2008

### NOTE 8 - NET ASSETS

Net assets have been designated by donors for the following purposes.

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Endowed grant programs	\$ 7,417,612	\$ 10,372,513
Operating	648,164	579,843
Student aid	2,764,282	3,996,506
Donor advised	14,294,845	20,781,971
Donor designated organization funds	5,248,552	6,702,317
Pass through funds	102,030	102,224
Re-grant programs	92,870	82,785
Undesignated donor restricted funds	<u>509,945</u>	<u>340,076</u>
	<u>\$ 31,078,300</u>	<u>\$ 42,958,235</u>

The Foundation has determined that due to the variance power it has over all of its net assets and the increasing common practice among community foundations, all net assets are classified as unrestricted. This classification does not affect the Foundations' responsibilities with respect to each fund as detailed in the fund agreements.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

#### Leases

The Foundation leases its office space and equipment. The office space lease agreement expires in January 2013 and the equipment lease agreement expires in January 2011. Future minimum lease payments follow: 2009 - \$30,094, 2010 - \$30,094, 2011 - \$28,347, 2012 - \$25,716, 2013 - \$2,040.

Rent expense was \$12,480 for the six months ended December 31, 2008 and \$17,480 for the year ended June 30, 2008.

#### Major contributors

For the six months ended December 31, 2008, the Foundation received contributions totaling \$1,425,802 from four major contributors establishing funds and adding to endowments. For the year ended June 30, 2008, the Foundation received one major contribution totaling \$302,000 from donors adding to endowments.

**Albuquerque Community Foundation and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2008 and June 30, 2008**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES - Continued**

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 \$11,968 for the six months ended December 31, 2008 and \$24,041 for the twelve months ended June 30, 2008.