

WYOMING COMMUNITY FOUNDATION

FINANCIAL REPORT
December 31, 2006 and 2005

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Mader Tschacher Peterson & Co., LLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wyoming Community Foundation
Laramie, Wyoming

We have audited the accompanying statements of financial position of Wyoming Community Foundation (a non-profit organization) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 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 Wyoming Community Foundation as of December 31, 2006 and 2005, 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.

As described in Note 10 to the financial statements, the January 1, 2006 net assets and fiscal year ended December 31, 2005 changes in net assets have been restated to reflect the reclassification of certain permanently and temporarily restricted net assets to unrestricted net assets.

Mader Tschacher Peterson & Co., LLC

Laramie, Wyoming
April 26, 2007

WYOMING COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets:		
Cash and cash equivalents	\$ 3,293,978	\$ 2,525,096
Investments (Note 2)	54,619,701	46,289,563
Investment income receivable	53,555	92,827
Contributions receivable	345,217	87,003
Other receivables	41,229	212,925
Other assets	25,960	20,828
Property and equipment (Note 3)	<u>106,111</u>	<u>112,571</u>
Total Assets	<u>\$ 58,485,751</u>	<u>\$ 49,340,813</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 51,244	\$ 120,269
Grants payable	569,697	506,071
Accrued expenses	4,805	7,697
Deferred revenue (Note 7)	26,250	35,000
Funds held as agency endowments (Note 9)	<u>7,189,405</u>	<u>6,693,388</u>
Total Liabilities	<u>7,841,401</u>	<u>7,362,425</u>
Net Assets (Notes 6 and 10):		
Unrestricted	50,318,525	1,277,246
Temporarily restricted	325,825	6,107,904
Permanently restricted	<u>-</u>	<u>34,593,238</u>
Total Net Assets	<u>50,644,350</u>	<u>41,978,388</u>
Total Liabilities and Net Assets	<u>\$ 58,485,751</u>	<u>\$ 49,340,813</u>

See Notes to Financial Statements.

WYOMING COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

	For the Year Ended December 31, 2006			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions (Note 1)	\$ 5,877,690	\$ -	\$ -	\$ 5,877,690
Less: Amounts received for agency endowments (Note 9)	(124,576)	-	-	(124,576)
Pledge revenue, net of write offs (Note 1)	-	325,825	-	325,825
Interest and dividends	1,347,339	-	-	1,347,339
Unrealized and realized gains	4,346,445	-	-	4,346,445
Other income	650,491	-	-	650,491
Net assets released from restrictions:				
Satisfaction of donor restrictions	-	(175)	-	(175)
Total revenue and other support	12,097,389	325,650	-	12,423,039
Expenses:				
Grants	2,556,567	-	-	2,556,567
Less: Grants made from agency endowments (Note 9)	(221,724)	-	-	(221,724)
Program expense	360,230	-	-	360,230
Supporting service expenses:				
General and administrative	868,750	-	-	868,750
Fundraising	263,247	-	-	263,247
Investment fees	120,004	-	-	120,004
Total expenses	3,947,074	-	-	3,947,074
Change in net assets	8,150,315	325,650	-	8,475,965
Net assets at beginning of year	1,277,246	6,107,904	34,593,238	41,978,388
Reclassification of restriction (Note 10)	40,701,142	(6,107,729)	(34,593,238)	175
Restatement of agency fund balance (Note 11)	189,822	-	-	189,822
Net assets, as restated, at beginning of year	42,168,210	175	-	42,168,385
Net assets at end of year	<u>\$ 50,318,525</u>	<u>\$ 325,825</u>	<u>\$ -</u>	<u>\$ 50,644,350</u>

See Notes to Financial Statements.

WYOMING COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

	For the Year Ended December 31, 2005			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions (Note 6)	\$ 451,601	\$ 1,230,986	\$ 3,230,525	\$ 4,913,112
Less: Amounts received for agency endowments (Note 9)	-	-	(322,852)	(322,852)
Pledge revenue, net of write offs	74,400	175	37,002	111,577
Interest and dividends	74,359	83,772	499,109	657,240
Unrealized and realized gains	15,029	38,271	1,234,073	1,287,373
(Loss) on sale of assets	(53)	-	-	(53)
Other	571,142	-	-	571,142
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>984,250</u>	<u>583,154</u>	<u>(1,567,404)</u>	<u>-</u>
Total revenue and other support	2,170,728	1,936,358	3,110,453	7,217,539
Expenses:				
Grants	1,931,866	-	-	1,931,866
Less: Grants made from agency endowments (Note 9)	(1,047,301)	-	-	(1,047,301)
Program expense	220,792	-	-	220,792
Supporting service expenses:				
General and administrative	930,167	-	-	930,167
Investment fees	<u>58,264</u>	<u>-</u>	<u>-</u>	<u>58,264</u>
Total expenses	2,093,788	-	-	2,093,788
Change in net assets	76,940	1,936,358	3,110,453	5,123,751
Net assets at beginning of year	<u>1,200,306</u>	<u>4,171,546</u>	<u>31,482,785</u>	<u>36,854,637</u>
Net assets at end of year	<u>\$ 1,277,246</u>	<u>\$ 6,107,904</u>	<u>\$ 34,593,238</u>	<u>\$ 41,978,388</u>

See Notes to Financial Statements.

WYOMING COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Change in net assets	\$ 8,475,965	\$ 5,123,751
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	44,879	25,905
Unrealized/realized (gain) on investments	(4,346,445)	(1,287,373)
Loss on sale of property and equipment	-	53
(Increase) or decrease in:		
Investment income receivable	39,272	14,808
Pledges receivable	(258,214)	(40,207)
Other receivables	171,696	(155,042)
Other assets	(5,132)	(4,144)
Increase or (decrease) in:		
Accounts payable	(69,025)	31,970
Grants payable	63,626	160,042
Accrued expenses	(2,892)	(2,097)
Deferred revenue	(8,750)	(298,333)
Funds held as agency endowments	496,017	(139,896)
Net cash from operating activities	<u>4,600,997</u>	<u>3,429,437</u>
Cash flows from investing activities:		
Purchase of property and equipment	38,418	(117,410)
Proceeds from sale of investments	7,698,330	9,024,689
Purchase of investments	<u>(11,568,863)</u>	<u>(11,939,411)</u>
Net cash from investing activities	<u>(3,832,115)</u>	<u>(3,032,132)</u>
Net change in cash	768,882	397,305
Cash at beginning of year	<u>2,525,096</u>	<u>2,127,791</u>
Cash at end of year	<u>\$ 3,293,978</u>	<u>\$ 2,525,096</u>

See Notes to Financial Statements.

WYOMING COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Wyoming Community Foundation is a non-profit, public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and incorporated under the laws of the State of Wyoming. The Community Foundation is a statewide organization, with component funds known as affiliates, the purpose of which is to receive property to be administered exclusively for charitable purposes, to make distributions to qualified charitable organizations or for charitable purposes and to manage investments of endowment funds which support these purposes.

Basis of Accounting

The financial statements of the 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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Under generally accepted accounting principles, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Under the Community Foundation's governing documents and applicable laws, the Community Foundation has the right and power to vary the use of certain gifts from their original donor-prescribed purpose. Based on this variance power, the Community Foundation classifies all net assets as unrestricted, other than those on which time or purpose restrictions have been placed by the donor. Accordingly, the Community Foundation reports its assets in the following classes:

NOTES TO FINANCIAL STATEMENTS

Unrestricted Net Assets

Unrestricted net assets are those over which the Board of Directors of the Community Foundation retains control to use in achieving its institutional mission.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those on which a time restriction has been placed by a donor. When a donor restriction expires, that is, when a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted.

Accounting Standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contribution should be classified as unrestricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions. The Community Foundation has not received any permanently restricted support.

Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and its interpretations provide that if the governing body of an organization has the ability to remove a donor restriction (i.e., variance power), the contribution should be classified as an unrestricted net asset. To ensure tax deductibility of donors' gifts, the Community Foundation is required by the IRS to exercise final discretion concerning expenditures from its funds. Accordingly, all net assets and related activity over which the management of the Community Foundation exercises direct control are classified as unrestricted net assets in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

However, if the donor has indicated a desire to support a particular area of interest or organization, Community Foundation management will designate the contribution for that use.

The Community Foundation solicits a variety of contributions to fund its grants including donor advised funds. Donor advised funds allow for the donor to recommend distributions to Community Foundation beneficiaries or other charitable organization approved by the Community Foundation. Although they generally fulfill the donor's recommendation, use of donor-advised funds are subject to approval by the Community Foundation's Board and are therefore classified as unrestricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other time- or purpose-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions Receivable (Promises to Give)

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are the most common type of gifts with time restrictions and should be classified as temporarily restricted.

Deferred Revenue

Revenue received for future years is deferred and will be recognized in the periods to which it relates.

Advertising Costs

Advertising costs are expenses when incurred. Advertising expense for the years ended December 31, 2006 and 2005 amounted to \$5,669 and \$8,065, respectively.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Community Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Community Foundation accounts for investments under Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are reflected in the Statement of Activities in the year earned.

Fixed Assets and Depreciation

Property and equipment are stated at cost, net of any applicable depreciation. All expenditures for furniture, equipment and vehicles in excess of \$500 are capitalized. Items that are less than the capitalization threshold are expensed in the year acquired. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Furniture and equipment	3-5 years
Vehicle	4 years

Functional Expense Allocations

Expenses relating to more than one function are allocated to program service, general and administrative and fundraising costs based on employee time estimates or other appropriate usage factors.

Total Columns

Total columns are presented to facilitate financial analysis. Amounts in these columns do not present financial position and results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTES TO FINANCIAL STATEMENTS

Concentrations

The Community Foundation maintains certain cash balances on deposit with several financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. In the event that an account exceeds the FDIC limit, the balances are then covered by pledged securities or a repurchase investment sweep account.

Note 2. Investments

The Community Foundation carries 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. The Community Foundation carries its real estate investments at the fair market value as of the dates the investments were donated to the Community Foundation. Cost at December 31, 2006 and 2005 was \$48,084,455 and \$37,190,312, respectively. Unrealized gains for the year ending December 31, 2006 and 2005 were \$3,098,504 and \$1,294,159, respectively.

Note 3. Fixed Assets

At December 31, 2006 and 2005, the costs and related accumulated depreciation of fixed assets consisted of the following:

	Cost	Accumulated Depreciation	Net
Furniture and equipment	\$ 205,664	\$ 105,079	\$100,585
Vehicles	25,154	19,628	5,526
	\$ 230,818	\$ 124,707	\$106,111
	Cost	Accumulated Depreciation	Net
Furniture and equipment	\$ 167,246	\$ 62,123	\$105,123
Vehicles	25,154	17,706	7,448
	\$ 192,400	\$ 79,829	\$112,571

NOTES TO FINANCIAL STATEMENTS

Depreciation expense for the year ended December 31, 2006 and 2005 was \$44,879 and \$25,905, respectively, and is reported in general and administrative expense in the unrestricted fund category.

Note 4. Income Taxes

The Community Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Community Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Community Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Note 5. Pension Plan

The employees of the Community Foundation are covered by a Simplified Employee Retirement Plan (SEP) and a 403b Tax Sheltered Annuity (TSA) plan.

Employees are eligible to participate in these plans on the first of the month following their hire date and after attaining the age of 21. The Community Foundation's SEP contribution rate for 2006 and 2005 was 6%. The TSA plan is funded entirely by voluntary employee contributions.

Contributions to all plans for the year ended December 31, 2006 and 2005 were \$18,409 and \$17,611, respectively.

Note 6. Restrictions on Net Assets (Applicable to 2005 financials only)

Temporarily restricted net assets are available for the following purposes:

- Geographic area or field of interest grants
- Donor-advised grants
- Agency-designated grants
- Scholarship grants

NOTES TO FINANCIAL STATEMENTS

Permanently restricted net assets are to provide a permanent endowment, with investment income restricted for the following purposes:

- Administration
- Donor-advised grants
- Geographic area or field of interest grants
- Agency grants
- Scholarships

Note 7. Contingencies

The Community Foundation was awarded \$50,000 from the Tom Thorne fund to cover training and to create a board advisory committee for Tom Thorne and the Upper Green River Sustainable Communities Endowment Fund (UGR). An amount of \$8,750 was received during 2006. The remaining funds will be received evenly over the next three years. The deferred revenue for the years ended December 31, 2006 and 2005 were \$26,250 and \$35,000, respectively.

Note 8. Commitments

On May 15, 2006 the Community Foundation entered into a three-year lease of office facilities located in downtown Laramie, Wyoming for \$1,400 per month. On February 1, 2007, the Community Foundation signed an amendment to their original lease to lease the remainder of the ground floor at an additional cost of \$350 per month. Rent expense was \$15,727 and \$14,389 in 2006 and 2005, respectively.

Note 9. Agency Endowment Funds

On July 1, 2003, the Community Foundation adopted Statement of Financial Accounting Standard 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

NOTES TO FINANCIAL STATEMENTS

foundation with its own funds and specifies itself as a beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Community Foundation refers to such funds as agency endowments.

The Community Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Community Foundation. However, in accordance with SFAS 136, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

The Community Foundation elected to adopt SFAS 136 as a cumulative effect of a change in accounting principle during the fiscal year ended June 30, 2004. All additions and reductions to the agency endowment funds previously recorded as contribution revenue, investment income or grant expense have been reclassified to the agency endowment liability.

The following table summarizes activity in the agency endowment fund during the year ended December 31, 2006:

Agency endowment fund balances		
at January 1, 2006	\$	6,693,388
New contributions		124,576
Investment income		204,542
Net unrealized and realized		
investment gains and losses		673,250
Grants made		(221,724)
Investment fees		(21,616)
Administrative fees		(73,153)
Miscellaneous expenses		(36)
Restatement (Note 11)		(189,822)
Agency endowment fund balances		
at December 31, 2006	\$	7,189,405

NOTES TO FINANCIAL STATEMENTS

Note 10. Reclassification of restriction

During the year ended December 31, 2006, the Community Foundation changed its method of accounting for endowment funds, which were previously classified as permanently and temporarily restricted net assets. As all of the Community Foundation's gift instruments explicitly grant the Community Foundation variance power (as defined in Note 1), the Community Foundation has deemed it proper to reclassify endowment assets as unrestricted. These funds continue to be internally designated as endowment funds and are managed accordingly. In accordance with SFAS No. 154, the effect of this change has resulted in reclassification of endowment funds totaling \$34,593,238 and \$6,107,729 from permanently and temporarily restricted to unrestricted net assets as of December 31, 2005. There was no impact on the change in net assets.

Note 11. Restatement of Agency Fund Balance

Net assets at the beginning of 2006 have been adjusted for an understatement of agency revenue that was found during conversion to a new accounting software program. The correction has no effect on the results of the current year's activities; however, the cumulative effect increases net assets by \$189,822 at December 31, 2005.