

ALBUQUERQUE ROTARY CHARITABLE FOUNDATION

FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

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ACCOUNTANTS' REPORT

To the Board of Directors
Albuquerque Rotary Charitable Foundation
Albuquerque, New Mexico

We have compiled the accompanying Statement of Financial Position of Albuquerque Rotary Charitable Foundation (a nonprofit organization) as of June 30, 2010 and the related statements activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying 2010 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying 2009 financial statements of Albuquerque Rotary Charitable Foundation were previously reviewed by us and our report dated February 4, 2010 stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles. We have not performed any procedures in connection with that review engagement after the date of our report on the 2009 financial statements.

Broderick & Company, LLC

Broderick & Company, LLC

January 19, 2011

Albuquerque Rotary Charitable Foundation

Statements of Financial Position

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 113,274	\$ 1,044,908
Prepaid expenses	975	1,488
Investments	958,800	-
Unconditional promises to give	<u>101,620</u>	<u>68,993</u>
Total assets	<u><u>\$ 1,174,669</u></u>	<u><u>\$ 1,115,389</u></u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 5,000	\$ 7,000
Deferred revenue	<u>23,450</u>	<u>18,776</u>
Total liabilities	28,450	25,776
Net assets		
Unrestricted		
Undesignated	511,684	491,076
Board designated endowment fund	<u>383,395</u>	<u>378,311</u>
Total unrestricted	895,079	869,387
Temporarily restricted	<u>251,140</u>	<u>220,226</u>
Total net assets	<u><u>1,146,219</u></u>	<u><u>1,089,613</u></u>
Total liabilities and net assets	<u><u>\$ 1,174,669</u></u>	<u><u>\$ 1,115,389</u></u>

See accompanying notes and accountants' report.

Albuquerque Rotary Charitable Foundation

Statement of Activities
Year Ended June 30, 2010

Revenues and Other Support	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Special fundraising event revenue			
In-kind contributions	\$ 8,939	\$ -	\$ 8,939
Special event revenue	66,114	-	66,114
Total special fundraising event revenue	<u>75,053</u>	<u>-</u>	<u>75,053</u>
Investment income	11,802	2,037	13,839
Contributions	27,833	32,877	60,710
Net assets released from restriction	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>
Total revenues and other support	118,688	30,914	149,602
 Expenses			
Program services			
Grants	46,061	-	46,061
Costs of direct benefits to donors	24,222	-	24,222
Supporting services			
Fundraising - special event			
Utilization in-kind contributions	8,939	-	8,939
Expenditures	<u>5,465</u>	<u>-</u>	<u>5,465</u>
Total fundraising	14,404	-	14,404
General and administrative	<u>8,309</u>	<u>-</u>	<u>8,309</u>
Total expenses	<u>92,996</u>	<u>-</u>	<u>92,996</u>
Changes in net assets	25,692	30,914	56,606
Net assets, beginning of year	<u>869,387</u>	<u>220,226</u>	<u>1,089,613</u>
Net assets, end of year	<u><u>\$ 895,079</u></u>	<u><u>\$ 251,140</u></u>	<u><u>\$ 1,146,219</u></u>

See accompanying notes and accountants' report.

Albuquerque Rotary Charitable FoundationStatement of Activities
Year Ended June 30, 2009

Revenues and Other Support	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Special fundraising event revenue			
In-kind contributions	\$ 83,559	\$ -	\$ 83,559
Special event revenue	71,789	-	71,789
Total special fundraising event revenue	<u>155,348</u>	<u>-</u>	<u>155,348</u>
Investment income	(197,649)	(34,916)	(232,565)
Contributions	17,332	24,427	41,759
Net assets released from restriction	<u>5,600</u>	<u>(5,600)</u>	<u>-</u>
Total revenues and other support	<u>(19,369)</u>	<u>(16,089)</u>	<u>(35,458)</u>
Expenses			
Program services			
Grants	51,252	-	51,252
Costs of direct benefits to donors	7,655	-	7,655
Supporting services			
Fundraising - special event			
Utilization in-kind contributions	75,904	-	75,904
Expenditures	<u>36,951</u>	<u>-</u>	<u>36,951</u>
Total fundraising	<u>112,855</u>	<u>-</u>	<u>112,855</u>
General and administrative	<u>14,577</u>	<u>-</u>	<u>14,577</u>
Total expenses	<u>186,339</u>	<u>-</u>	<u>186,339</u>
Changes in net assets	(205,708)	(16,089)	(221,797)
Net assets, beginning of year	<u>1,075,095</u>	<u>236,315</u>	<u>1,311,410</u>
Net assets, end of year	<u>\$ 869,387</u>	<u>\$ 220,226</u>	<u>\$ 1,089,613</u>

See accompanying notes and accountants' report.

Albuquerque Rotary Charitable Foundation

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 56,606	\$ (221,797)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net loss on investments	6,825	253,033
Amortization of discount on unconditional promises to give	(4,425)	(4,372)
Changes in operating assets and liabilities		
Prepaid expenses	513	(1,488)
Unconditional promises to give	(28,202)	-
Accounts payable	(2,000)	7,000
Deferred revenue	4,674	18,776
	<u>33,991</u>	<u>51,152</u>
Cash provided by operating activities	<u>33,991</u>	<u>51,152</u>
Cash Flows from Investing Activities		
Proceeds of investments	659,643	1,462,656
Purchases of investments	(1,625,268)	(568,453)
	<u>(965,625)</u>	<u>894,203</u>
Cash provided/(used) by investing activities	<u>(965,625)</u>	<u>894,203</u>
Change in cash and cash equivalents	(931,634)	945,355
Cash and cash equivalents, beginning of year	<u>1,044,908</u>	<u>99,553</u>
Cash and cash equivalents, end of year	<u>\$ 113,274</u>	<u>\$ 1,044,908</u>

See accompanying notes and accountants' report.

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 1 – Nature of Activities

Albuquerque Rotary Charitable Foundation (the Foundation) was incorporated in 1988 as a nonprofit organization dedicated to charitable giving in the greater Albuquerque area. Members of The Rotary Club of Albuquerque are also members of the Albuquerque Rotary Charitable Foundation. The purpose of the Foundation is to enable Rotarians to support local charities and deserving community projects.

Note 2 – Summary of Significant Accounting Policies

Date of Management Review

Management has evaluated subsequent events through January 19, 2011, the date which the financial statements were available to be issued.

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Foundation has no permanently restricted net assets at June 30, 2010 or 2009.

Revenues and Other Support

The Foundation reports contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the absence or existence and nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Donated materials and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose.

Many individuals have donated time and services to the Foundation. The value of these services has not been recorded in the financial statements because they do not meet the definition of recognition under generally accepted accounting principles.

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents

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

Investments

Investments in marketable securities and in debt securities are reported at their fair values based on quoted market prices in active markets (all Level 1 measurements) in the statements of financial position. Investment gains and losses are included in the statements of activities.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at estimated fair value which is the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Deferred Revenue

Revenue received for a special event which will occur in a future year is recorded as deferred revenue.

Board-Designated Net Assets

The board-designated endowment fund is an internally designated fund created so net assets will be permanently invested.

Grants

The Foundation provides funding to various programs involved in youth and educational activities.

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies - continued

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized by function based on evaluation of the related benefit by management in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as “other than a private foundation.”

The Foundation’s income tax filings are subject to audit by various taxing authorities. The Foundation’s open audit periods are 2007 to 2009. The Foundation adopted the provisions of FASB ASC 740-10 on July 1, 2009. As a result of implementation, the Foundation has not recognized any changes to the financial statements.

Use of Estimates

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

Advertising

The Foundation expenses advertising costs as incurred. For the years ended June 30, 2010 and 2009, the donated advertising costs totaled \$0 and \$56,904, respectively.

Note 3 – Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its certificates of deposit. All of the Organization’s investments are Level 1 in 2010 and 2009.

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 4 – Investment Policy

The Foundation's investment policy goal is that investment returns provide adequate income to fund the Foundation's spending policy while preserving corpus. The spending policy is as follows: a) honor existing annual financial commitments related to temporarily restricted net assets, b) net proceeds of Rotary Club of Albuquerque annual fund raiser will be spent for charitable purposes and c) current percentage to be spent each year not to exceed 5% of the average of the prior twelve quarters of total fund assets.

Volatility and risk will be mitigated by maintaining a diversified portfolio of stocks, bonds, government securities, cash and/or alternative investments within defined parameters.

The Investment Committee, subject to the overall responsibility and direction of the Board of Directors, will supervise the investment of the various funds of the Foundation and report to the Board of Directors. The Investment Committee will develop investment objectives and communicate such investment objectives and appropriate guidelines to the investment financial advisors and managers engaged by the Foundation.

Note 5 – Investments

In June, 2009, the Foundation sold all of its investment holdings in order to consolidate the investments with one investment manager. These funds were reinvested in July, 2009.

Investments consist of mutual funds and are stated at fair value as follows at June 30, 2010:

<u>June 30, 2010</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Mutual funds	\$ 969,525	\$ 958,800	\$ (10,725)
Total	<u>\$ 969,525</u>	<u>\$ 958,800</u>	<u>\$ (10,725)</u>

The following summarizes investment income for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Investment income		
Dividend and interest income	\$ 20,689	\$ 25,099
Realized gain/(loss)	3,900	(253,033)
Unrealized loss	(10,725)	-
Investment fee expense	(25)	(4,631)
	<u>\$ 13,839</u>	<u>\$ (232,565)</u>

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 6 – Unconditional Promises to Give

The unconditional promises to give are related to an ongoing, planned giving campaign called the Guardian Society. All unconditional promises to give are expected to be collected. The promises to give are expected to be collected in more than five years.

Unconditional promises to give as of June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Promises due in more than five years	\$ 210,000	\$ 180,000
Unamortized discount	(108,380)	(111,007)
	<u>\$ 101,620</u>	<u>\$ 68,993</u>

The discount was calculated using the prime rate of the Federal Reserve Board at the time of the pledges which varies from 2% to 9.23%. The discount will be amortized over the collection period of the unconditional promises to give.

Note 7 – Temporarily Restricted Net Assets

Net assets temporarily restricted due to purpose as of June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Children's Garden Fund	\$ 61,224	\$ 62,291
Natural History Museum Fund	45,028	46,260
Wilkinson Scholarship Fund	25,406	24,920
International Service Fund	17,655	17,555
River Park Fund	207	207
To be received in periods after year end	101,620	68,993
	<u>\$ 251,140</u>	<u>\$ 220,226</u>

Net assets were released from donor restrictions by incurring expenses and satisfying the purpose or time restrictions specified by donors as follows for the years ended June 30, 2010 and 2009:

	2010	2009
Natural History Museum Fund	\$ 2,000	\$ -
Children's Fantasy Garden	2,000	-
International Service Fund	-	3,000
River Park Fund	-	2,600
	<u>\$ 4,000</u>	<u>\$ 5,600</u>

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 8 – Special Fund Raising Event

In fiscal year 2010, the Foundation in conjunction with the Rotary Club of Albuquerque held two fundraising events: Golf Tournament and the Wine Auction. In fiscal year 2009, the Foundation, in conjunction with the Rotary Club of Albuquerque, put on two fund raising events: the Family Fun Fiesta and Spring Fling. The attendees of these events purchase a ticket and potentially make additional contributions to the Foundation. In connection with these events, the Foundation received in-kind contributions of prizes. The cost of direct benefit to donors represents the prizes that were awarded to the attendees of the event.

The net results from these events are summarized below for the years ended June 30, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
In-kind contributions	\$ 8,939	\$ 83,559
Event revenue	<u>66,114</u>	<u>71,789</u>
Total revenue	75,053	155,348
Cost of direct benefit to donors	24,222	7,655
Utilization of in-kind contributions	8,939	75,904
Expenditures on event	<u>5,465</u>	<u>36,951</u>
Total expenses	<u>38,626</u>	<u>120,510</u>
Net special fund raising event	<u>\$ 36,427</u>	<u>\$ 34,838</u>

Each year the Foundation names a primary grantee to receive a grant of 50% of the net proceeds from the special fund raising events.

The primary grantee for the year ending June 30, 2010 was Roadrunner Food Bank and for year ending June 30, 2009 was RCI, Inc.

Albuquerque Rotary Charitable Foundation

Notes to Financial Statements

June 30, 2010 and 2009

Note 9 – Grants

Grants made for the years ended June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Roadrunner Food Bank	\$ 17,000	\$ -
International Service	7,000	4,000
Youth Literacy	5,999	8,652
New Mexico Museum of Natural History	2,000	2,000
UNM Presidential Scholarship	2,000	2,000
Children’s Fantasy Garden	2,000	-
RCI, Inc.	-	22,000
River Park	-	2,600
Various youth activities and scholarships	10,062	10,000
Total grants	<u>\$ 46,061</u>	<u>\$ 51,252</u>

Note 10 – Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration consist principally of cash, cash equivalents and investments. The Foundation places its investments with financial institutions and investment brokerage firms. Investments with financial institutions are federally insured and investments held by investment brokerage firms are insured by the brokerage firm. The Foundation uses investment managers to invest some of the Foundation investments. The Foundation may occasionally maintain cash balances in financial institutions in excess of federally insured limits.