



**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
WITH INDEPENDENT AUDITOR'S REPORT**

TRUCKEE TAHOE COMMUNITY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Tahoe Community Foundation
Truckee, California

We have audited the accompanying statements of financial position of Truckee Tahoe Community Foundation (a nonprofit corporation) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the 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 Truckee Tahoe Community Foundation as of June 30, 2010 and 2009, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BBR LLP

BBR LLP
Walnut Creek, California
September 23, 2010

TRUCKEE TAHOE COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

(See notes to financial statements)

ASSETS

| | <u>2010</u> | <u>2009</u> |
|------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and equivalents | \$ 1,863,455 | \$ 988,199 |
| Prepaid expenses | 11,463 | 11,595 |
| Contributions receivable | 294,534 | 662,775 |
| Beneficial interest in charitable trusts | 1,208,933 | 1,278,579 |
| Investments | 9,930,634 | 9,288,358 |
| Interest in real property | 105,000 | 105,000 |
| Property and equipment, net | <u>182,955</u> | <u>195,621</u> |
| Total assets | <u>\$ 13,596,974</u> | <u>\$ 12,530,127</u> |

LIABILITIES AND NET ASSETS

| | | |
|-------------------------------------------|----------------------|----------------------|
| LIABILITIES | | |
| Accounts payable and accrued compensation | \$ 40,892 | \$ 36,634 |
| Agency funds | <u>144,757</u> | <u>11,075</u> |
| Total liabilities | <u>185,649</u> | <u>47,709</u> |
| NET ASSETS | | |
| Unrestricted | 11,907,858 | 10,541,064 |
| Temporarily restricted | <u>1,503,467</u> | <u>1,941,354</u> |
| Total net assets | <u>13,411,325</u> | <u>12,482,418</u> |
| Total liabilities and net assets | <u>\$ 13,596,974</u> | <u>\$ 12,530,127</u> |

TRUCKEE TAHOE COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(See notes to financial statements)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|----------------------------------------------------------------|----------------------|-----------------------------------|----------------------|
| REVENUES AND SUPPORT | | | |
| Contributions | \$ 1,112,232 | \$ - | \$ 1,112,232 |
| Change in value of beneficial interest in charitable trusts | - | 70,354 | 70,354 |
| Net gain on investments | 1,112,020 | - | 1,112,020 |
| Administration income | 41,294 | - | 41,294 |
| Special events, net of expenses of \$26,932 | 132,856 | - | 132,856 |
| Net assets released from restrictions | 508,241 | (508,241) | - |
| | <u>2,906,643</u> | <u>(437,887)</u> | <u>2,468,756</u> |
| Total revenues and support | | | |
| EXPENSES | | | |
| Program services | 1,266,755 | - | 1,266,755 |
| Management and general | 155,235 | - | 155,235 |
| Fundraising | 117,859 | - | 117,859 |
| | <u>1,539,849</u> | <u>-</u> | <u>1,539,849</u> |
| Total expenses | | | |
| CHANGE IN NET ASSETS | 1,366,794 | (437,887) | 928,907 |
| NET ASSETS | | | |
| Beginning of year | <u>10,541,064</u> | <u>1,941,354</u> | <u>12,482,418</u> |
| End of year | <u>\$ 11,907,858</u> | <u>\$ 1,503,467</u> | <u>\$ 13,411,325</u> |

TRUCKEE TAHOE COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

(See notes to financial statements)

| | Unrestricted | Temporarily Restricted | Total |
|----------------------------------------------------------------|----------------------|-----------------------------------|----------------------|
| REVENUES AND SUPPORT | | | |
| Contributions | \$ 1,577,954 | \$ - | \$ 1,577,954 |
| Change in value of beneficial interest in charitable trusts | - | (106,967) | (106,967) |
| Net loss on investments | (2,031,701) | - | (2,031,701) |
| Administration income | 39,410 | - | 39,410 |
| Special events, net of expenses of \$24,256 | 154,883 | - | 154,883 |
| Net assets released from restrictions | 322,929 | (322,929) | - |
| | <u>63,475</u> | <u>(429,896)</u> | <u>(366,421)</u> |
| Total revenues and support | | | |
| EXPENSES | | | |
| Program services | 2,060,482 | - | 2,060,482 |
| Management and general | 217,979 | - | 217,979 |
| Fundraising | 92,206 | - | 92,206 |
| | <u>2,370,667</u> | <u>-</u> | <u>2,370,667</u> |
| Total expenses | | | |
| CHANGE IN NET ASSETS | (2,307,192) | (429,896) | (2,737,088) |
| NET ASSETS | | | |
| Beginning of year | <u>12,848,256</u> | <u>2,371,250</u> | <u>15,219,506</u> |
| End of year | <u>\$ 10,541,064</u> | <u>\$ 1,941,354</u> | <u>\$ 12,482,418</u> |

TRUCKEE TAHOE COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

(See notes to financial statements)

| | 2010 | 2009 |
|-------------------------------------------------------------------------------------------------------------------|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 928,907 | \$ (2,737,088) |
| Adjustments to reconcile change in net assets to net cash and equivalents provided (used) by operating activities | | |
| Depreciation | 16,291 | 16,284 |
| Change in value of beneficial interest in charitable trusts | (70,354) | 106,967 |
| Cash received from beneficial interest in charitable trusts | 140,000 | 140,000 |
| Amortization of contributed rent | 45,241 | 50,429 |
| Net realized and unrealized (gains) losses | (781,591) | 2,409,792 |
| Donated securities | (140,574) | (410,478) |
| Loss on uncollectible contributions receivable | - | (40,000) |
| Noncash settlement of contributions receivable | (65,000) | (40,000) |
| Changes in operating assets and liabilities | | |
| Prepaid expenses | 132 | 2,173 |
| Contributions receivable | 388,000 | 212,500 |
| Accounts payable and accrued compensation | 4,258 | (7,538) |
| Agency funds | 133,682 | (73,182) |
| | 598,992 | (370,141) |
| Net cash provided (used) by operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (3,625) | (3,344) |
| Proceeds from sales of investments | 4,473,530 | 8,876,207 |
| Purchases of investments | (4,193,641) | (8,655,120) |
| | 276,264 | 217,743 |
| Net cash provided by investing activities | | |
| NET CHANGE IN CASH AND EQUIVALENTS | 875,256 | (152,398) |
| CASH AND EQUIVALENTS | | |
| Beginning of year | 988,199 | 1,140,597 |
| End of year | \$ 1,863,455 | \$ 988,199 |

TRUCKEE TAHOE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NATURE OF OPERATIONS

Truckee Tahoe Community Foundation (Foundation), a California nonprofit corporation, was founded in 1998 to enhance the quality of life of the people in the Truckee Tahoe area by seeking, accepting, managing and disbursing funds to appropriate recipients for the benefit of the community.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred. The Foundation reports information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets in 2010 and 2009.

Unrestricted net assets are subject to the variance power of the Board of Directors. Board designated net assets, which are unrestricted net assets, consist of gifts and bequests which have been set aside as endowment funds for special programs and general operating support.

Temporarily restricted net assets are subject to donor-imposed stipulations which can be fulfilled either by actions of those stipulations and/or expire with the passage of time. Temporarily restricted net assets consist primarily of restricted pledges and contributions. When a donor 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.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Use of estimates – 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, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities for the reported periods. Accordingly, actual results could differ from those estimates.

Cash and equivalents – Cash and equivalents includes demand deposit accounts, money market accounts and cash on hand which are not managed as part of long-term investment strategies. Cash on deposit usually exceeds federally insured limits. The Foundation has not experienced any losses in these accounts and believes they are not exposed to any significant credit risk.

Contributions receivable – Promises to give and bequests that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Balances are reviewed regularly to determine the need for an allowance for uncollectible accounts. However, no amounts have been recorded for uncollectible promises to give, as management believes all amounts to be collectible.

TRUCKEE TAHOE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments – Investments in debt and equity securities with readily determinable fair values are reported at their estimated fair values in the statements of financial position. Realized and unrealized investment gains and losses are reported in the statement of activities. Investments usually exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes they are not exposed to any significant credit risk.

Interest in real property – In June 2001, the Foundation was named as a 50% beneficiary in real property. The Foundation valued the property at fair value at the date of contribution and assesses its value annually for impairment. Management has determined no impairment exists at June 30, 2010.

Financial instruments – Financial instruments included in the Foundation's statements of financial position include cash and equivalents, contributions receivable, beneficial interest in charitable trusts, investments, accounts payable and accrued compensation and agency funds. For cash and equivalents, contributions receivable, accounts payable and accrued compensation and agency funds, the carrying amounts represent a reasonable estimate of the corresponding fair values. Beneficial interest in charitable trusts and investments are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described below.

Fair value measurements – Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Foundation considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows.

Level 1 – Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

Level 3 – Valuation is based on unobservable inputs for the assets or liabilities, reflecting the Foundation's assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the assets or liabilities, and significant management judgment or estimates are required.

TRUCKEE TAHOE COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments consist of equity and fixed income securities, mutual funds and hedge funds. Investments in equity and fixed income securities and mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency. Investments in hedge funds are classified within Level 3 of the fair value hierarchy because the net asset value is determined monthly using unobservable inputs.

The Foundation's beneficial interest in charitable trusts is classified as Level 3 since observable inputs are minimal.

While the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the financial statements.

Property and equipment – Property and equipment are recorded at cost, and donated property and equipment are recorded at estimated fair market value on the date contributed to the Foundation. Depreciation is provided on the straight line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expenses as incurred.

Agency funds – The Foundation is the fiscal agent for various nonprofit organizations, including Tahoe Truckee Excellence in Education Foundation. In accordance with accounting standards applicable to nonprofit organizations, the Foundation does not record contribution revenue when it receives funds. Instead, the recipient organization records an asset and a liability. These situations include transactions where the organization receives funds as an agent, trustee or intermediary.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Temporarily restricted contributions are recorded to recognize donor-imposed or timing restrictions, including bequests and split interest agreements.

Contributed goods and services – Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Major contributions – During 2010, one donor contributed amounts representing approximately 27% of total contributions revenue. During 2009, two donors contributed amounts representing approximately 21% and 19% of total 2009 contributions revenue.

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

Reclassifications – Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

TRUCKEE TAHOE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give and consist of the following at June 30.

| | <u>2010</u> | <u>2009</u> |
|----------------------------------------------|-------------------|-------------------|
| Contribution receivable – leasehold interest | \$ 341,347 | \$ 404,115 |
| Bequests receivable | - | 250,000 |
| Pledges receivable | - | 72,500 |
| Other contributions receivable | <u>2,000</u> | <u>2,500</u> |
| | 343,347 | 729,115 |
| Less discount to present value | <u>48,813</u> | <u>66,340</u> |
| | <u>\$ 294,534</u> | <u>\$ 662,775</u> |

Contribution receivable – leasehold interest represents the present value of suspended lease payments. The future benefit of the leasehold interest has been discounted to its present value using a discount rate of 5% in 2010. Refer to the “Operating Lease” note for further details.

Contributions receivable at June 30, 2010 are estimated to be due as follows.

| | |
|------------|-------------------|
| 2011 | \$ 62,371 |
| 2012 | 62,496 |
| 2013 | 64,696 |
| 2014 | 66,973 |
| 2015 | 69,331 |
| Thereafter | <u>17,480</u> |
| | <u>\$ 343,347</u> |

BENEFICIAL INTERESTS IN CHARITABLE TRUSTS AND FAIR VALUE DISCLOSURES

The Foundation is a beneficiary under the terms of two irrevocable charitable trusts administered by third party trustees. Contributions receivable from the trusts are recorded in the statements of financial position based on the present value of the future benefits expected to be received from the trusts using discount rates of 3.20% and 2.80% as of June 30, 2010 and 2009, respectively. A corresponding amount is reflected in the statements of activities and changes in net assets as temporarily restricted contributions in the year the trusts were funded. The change in present value attributable to the future interests of the Foundation is recorded as an increase or (decrease) in temporarily restricted contributions on the statement of activities and changes in net assets.

TRUCKEE TAHOE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

BENEFICIAL INTERESTS IN CHARITABLE TRUSTS AND FAIR VALUE DISCLOSURES *(continued)*

The following table presents the fair value measurements of beneficial interest in remainder trusts administered by other trustees on the accompanying statements of financial position at June 30, by fair value hierarchy.

| <u>Description</u> | <u>2010</u> | | | |
|-------------------------------------------------------------------------|----------------|----------------|----------------|--------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Beneficial interest in charitable trusts administered by other trustees | \$ - | \$ - | \$ 1,208,933 | \$ 1,208,933 |

| <u>Description</u> | <u>2009</u> | | | |
|-------------------------------------------------------------------------|----------------|----------------|----------------|--------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Beneficial interest in charitable trusts administered by other trustees | \$ - | \$ - | \$ 1,278,579 | \$ 1,278,579 |

The following table provides a rollforward of the assets listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended June 30.

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------------------------------------------------------------------|---------------------|---------------------|
| Beginning balance | \$ 1,278,579 | \$ 1,525,546 |
| Distribution received | (140,000) | (140,000) |
| Increase (decrease) in value due to change in estimated fair value of underlying trust assets | <u>70,354</u> | <u>(106,967)</u> |
| Ending balance | <u>\$ 1,208,933</u> | <u>\$ 1,278,579</u> |

INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table presents the fair value of investments on the accompanying statements of financial position at June 30, by fair value hierarchy.

| <u>Description</u> | <u>2010</u> | | | |
|-------------------------|---------------------|----------------|---------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equity securities | \$ 5,983,272 | \$ - | \$ - | \$ 5,983,272 |
| Fixed income securities | 2,902,117 | - | - | 2,902,117 |
| Hedge funds | - | - | 1,045,245 | 1,045,245 |
| | <u>\$ 8,885,389</u> | <u>\$ -</u> | <u>\$ 1,045,245</u> | <u>\$ 9,930,634</u> |

TRUCKEE TAHOE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

| <u>Description</u> | <u>2009</u> | | | |
|-------------------------|---------------------|----------------|-------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Equity securities | \$ 5,587,286 | \$ - | \$ - | \$ 5,587,286 |
| Fixed income securities | 2,488,733 | - | - | 2,488,733 |
| Mutual funds | 240,769 | - | - | 240,769 |
| Hedge funds | - | - | 971,570 | 971,570 |
| | <u>\$ 8,316,788</u> | <u>\$ -</u> | <u>\$ 971,570</u> | <u>\$ 9,288,358</u> |

The following table provides a rollforward of the assets listed above measured at fair value using significant unobservable inputs (Level 3) during the periods ended June 30.

| | <u>2010</u> | <u>2009</u> |
|----------------------------|---------------------|-------------------|
| Beginning balance | \$ 971,570 | \$ - |
| Purchases | - | 1,100,000 |
| Net unrealized gain (loss) | <u>73,675</u> | <u>(128,430)</u> |
| Ending balance | <u>\$ 1,045,245</u> | <u>\$ 971,570</u> |

The net asset value of the investments in hedge funds is determined at the close of business at the end of each month. The hedge funds are presented at fair value, generally representing the hedge fund's pro-rata interest in the net assets of a portfolio fund. The information provided by the portfolio fund used to determine fair value of the underlying investments is considered and evaluated. Considerable judgment is required to interpret the factors used to develop estimates of fair value. Accordingly, the estimates may not be indicative of the amounts the hedge fund could realize in current market exchange and the use of alternative factors or estimation methodologies could have a significant effect on the estimated fair value.

Net gains (losses) on investments consist of the following at June 30.

| | <u>2010</u> | <u>2009</u> |
|-------------------------------|---------------------|-----------------------|
| Interest and dividends | \$ 410,217 | \$ 453,946 |
| Net realized gains (losses) | 408,003 | (1,454,054) |
| Net unrealized gains (losses) | 373,588 | (955,738) |
| Investment fees | <u>(79,788)</u> | <u>(75,855)</u> |
| | <u>\$ 1,112,020</u> | <u>\$ (2,031,701)</u> |

TRUCKEE TAHOE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30.

| | <u>2010</u> | <u>2009</u> |
|-------------------------------|-------------------|-------------------|
| Furniture and equipment | \$ 66,607 | \$ 72,918 |
| Leasehold improvements | <u>226,463</u> | <u>226,463</u> |
| | 293,070 | 299,381 |
| Less accumulated depreciation | <u>110,115</u> | <u>103,760</u> |
| | <u>\$ 182,955</u> | <u>\$ 195,621</u> |

AGENCY FUNDS

The Foundation is responsible for receiving and depositing funds, as well as writing checks on behalf of several organizations. The Foundation has no discretion over the disposition of the funds and acts only as an intermediary agent. Transactions made on behalf of these organizations are not included in the Foundation's statement of activities. All funds held are maintained as cash and equivalents. At June 30, 2010 and 2009, the amount held by the Foundation on behalf of these organizations is \$144,757 and \$11,075, respectively.

UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30.

| | <u>2010</u> | <u>2009</u> |
|--------------------------|----------------------|----------------------|
| Donor advised funds | \$ 3,107,941 | \$ 2,993,534 |
| Other unrestricted funds | <u>8,799,917</u> | <u>7,547,530</u> |
| | <u>\$ 11,907,858</u> | <u>\$ 10,541,064</u> |

TEMPORARILY RESTRICTED NET ASSETS

The Foundation's temporarily restricted net assets are comprised of the following at June 30.

| | <u>2010</u> | <u>2009</u> |
|------------------------------------------|---------------------|---------------------|
| Contributions receivable | \$ 294,534 | \$ 662,775 |
| Beneficial interest in charitable trusts | <u>1,208,933</u> | <u>1,278,579</u> |
| | <u>\$ 1,503,467</u> | <u>\$ 1,941,354</u> |

TRUCKEE TAHOE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

GRANTS

Grants are recorded at the date of approval or when a donor-advised grant award is communicated to the grantee. Grants are paid within one year of award or approval date. During the years ended June 30, 2010 and 2009, the Foundation awarded grants related to the following program categories.

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------------------|-------------------|---------------------|
| Health and human services | \$ 422,417 | \$ 593,759 |
| Arts and culture | 246,812 | 115,162 |
| Environmental conservation and animal welfare | 93,544 | 154,302 |
| Youth development | 93,175 | 120,655 |
| Education | 58,800 | 250,295 |
| Civic and public benefit | 27,975 | 471,150 |
| Recreation | <u>15,825</u> | <u>33,100</u> |
| | <u>\$ 958,548</u> | <u>\$ 1,738,423</u> |

OPERATING LEASE

The Foundation leases office space under an operating lease expiring October 1, 2015, with an option to extend from October 2, 2015 through October 1, 2025. In July of 2007, the landlord, who is a member of the Board of Directors, agreed to suspend all future lease payments for the term of the lease. However, the Foundation is responsible for its portion of common area maintenance. Future lease payments suspended have been recognized by the Foundation as a noncash contribution and are included as a contribution receivable, discounted to present value at a rate of 5%. Rent expense totaled \$53,262 and \$57,758 for the years ended June 30, 2010 and 2009, respectively, which includes common area maintenance expenses of \$8,022 and \$7,300, respectively.

RETIREMENT PLAN

The Foundation maintains a tax deferred 403(b) retirement plan to provide retirement benefits for all eligible employees. The plan provides for Foundation contributions of 6% of eligible employee compensation. Vesting is based on years of service, with 100% vesting after six years of credited service. Foundation contributions for the years ended June 30, 2010 and 2009 were \$16,473 and \$14,740, respectively. All of the costs of the plan's administration are paid for by participants.

INCOME TAX STATUS

The Foundation is a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Act, and is classified as other than a private foundation.

During the year ended June 30, 2010, the Foundation adopted authoritative guidance on accounting for uncertainty in income taxes. The guidance defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result of the adoption, the Foundation did not identify any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

TRUCKEE TAHOE COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

Excluding contributed rent as described in the "Operating Lease" note, approximately \$115,500 and \$80,675 in donations was received from members of the Board of Directors during the years ended June 30, 2010 and 2009, respectively.

RECLASSIFICATIONS

During the year ended June 30, 2010, the Foundation determined it had variance power on certain donor advised funds that were previously classified as temporarily restricted net assets. Accordingly, the Foundation reclassified these funds and related activity to unrestricted. As a result, unrestricted and temporarily restricted net assets as of July 1, 2008 have increased and decreased, respectively, by \$102,135. In addition, unrestricted and temporarily restricted net assets as of July 1, 2009 have increased and decreased, respectively, by \$121,915.

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through September 23, 2010, the date which the financial statements were available to be issued. No such events exist.

SUPPLEMENTARY INFORMATION

TRUCKEE TAHOE COMMUNITY FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

(See notes to financial statements)

| | 2010 | | | 2009 | | | | |
|-----------------------------|-----------------------|------------------------|-------------|-----------------------|--------------|------------------------|-------------|--------------|
| | Supporting Activities | | | Supporting Activities | | | | |
| | Program | Management and General | Fundraising | Total | Program | Management and General | Fundraising | Total |
| Salaries | \$ 188,894 | \$ 87,701 | \$ 60,716 | \$ 337,311 | \$ 161,503 | \$ 120,333 | \$ 34,833 | \$ 316,669 |
| Benefits | 16,524 | 7,672 | 5,311 | 29,507 | 14,110 | 10,513 | 3,043 | 27,666 |
| Payroll taxes | 15,692 | 7,286 | 5,044 | 28,022 | 12,748 | 9,499 | 2,750 | 24,997 |
| Total salaries and benefits | 221,110 | 102,659 | 71,071 | 394,840 | 188,361 | 140,345 | 40,626 | 369,332 |
| Grants | 958,548 | - | - | 958,548 | 1,738,423 | - | - | 1,738,423 |
| Rent | 29,827 | 13,848 | 9,587 | 53,262 | 29,458 | 21,948 | 6,353 | 57,759 |
| Professional fees | 9,035 | 17,611 | - | 26,646 | 17,891 | 18,018 | - | 35,909 |
| Marketing and development | - | - | 21,436 | 21,436 | - | - | 26,405 | 26,405 |
| Depreciation | 9,123 | 4,236 | 2,932 | 16,291 | 8,306 | 6,188 | 1,791 | 16,285 |
| Occupancy | 8,975 | 4,167 | 2,885 | 16,027 | 9,947 | 7,412 | 2,146 | 19,505 |
| Licenses | 6,376 | 2,960 | 2,049 | 11,385 | 6,272 | 4,673 | 1,353 | 12,298 |
| Dues and memberships | 5,546 | 4,181 | - | 9,727 | 1,348 | 5,431 | - | 6,779 |
| Office | 4,187 | 1,944 | 1,346 | 7,477 | 4,832 | 4,601 | 1,042 | 10,475 |
| Insurance | 4,036 | 1,874 | 1,297 | 7,207 | 3,808 | 2,837 | 821 | 7,466 |
| Public relations | 840 | 840 | 3,824 | 5,504 | - | 4,060 | 8,122 | 12,182 |
| Conferences | 3,895 | - | 1,432 | 5,327 | 1,577 | 1,444 | 3,547 | 6,568 |
| Uncollectible pledges | 3,493 | - | - | 3,493 | 40,000 | - | - | 40,000 |
| Nonprofit support | 1,459 | - | - | 1,459 | 10,259 | - | - | 10,259 |
| Board | 305 | 915 | - | 1,220 | - | 1,022 | - | 1,022 |
| Total expenses | \$ 1,266,755 | \$ 155,235 | \$ 117,859 | \$ 1,539,849 | \$ 2,060,482 | \$ 217,979 | \$ 92,206 | \$ 2,370,667 |