

May 14, 2007

Board of Trustees  
Community Foundation of Greater Rochester  
Rochester, Michigan

### Independent Auditor's Report

We have audited the accompanying statements of financial position of Community Foundation of Greater Rochester as of December 31, 2006 and 2005, and the related statements of activities, 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audits also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 Community Foundation of Greater Rochester as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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ROCHESTER CPA ASSOCIATES

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
 Statements of Financial Position  
 December 31, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 700,317	\$ 476,389
Prepaid expenses	3,163	2,641
Investments	5,987,627	5,515,917
Dividend/interest receivable	10,101	8,419
Notes receivable	<u>510,000</u>	<u>510,000</u>
Total assets	<u>\$7,211,208</u>	<u>\$6,513,366</u>
 <u>Liabilities</u>		
Accrued payroll taxes	\$ 367	\$ 352
Grants payable	<u>72,905</u>	<u>113,972</u>
Total liabilities	73,272	114,324
 <u>Net Assets</u>		
Net Assets:		
Unrestricted	<u>7,137,936</u>	<u>6,399,042</u>
Total net assets	<u>7,137,936</u>	<u>6,399,042</u>
Total liabilities and net assets	<u>\$7,211,208</u>	<u>\$6,513,366</u>

(See accompanying notes to financial statements.)

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
 Statements of Activities and Changes in Net Assets  
 For the Year Ended December 31, 2006 and 2005

	Total Unrestricted	
	2006	2005
Revenue and Other Support:		
Interest and dividends .....	\$ 243,756	\$ 201,957
Gain/(loss) on investments .....	422,408	116,331
Contributions .....	567,234	608,224
Total Revenue and Other Support .....	1,233,398	926,512
Grants and Expenses:		
Program grants and expenses .....	348,788	600,026
Management and general .....	145,716	141,351
Total Grants and Expenses .....	494,504	741,377
Change in net assets .....	738,894	185,135
Net assets as of January 1 .....	6,399,042	6,213,907
Net assets as of December 31 .....	\$ 7,137,936	\$ 6,399,042

(See accompanying notes to financial statements.)

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 738,894	\$ 185,135
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Unrealized gain on investments	(341,347)	(114,012)
Change in prepaid expenses/other	(2,204)	65
Change in accrued expenses/other	<u>(41,052)</u>	<u>(37,326)</u>
Net cash provided by operating activities	354,291	33,862
 <u>Cash flows from investing activities:</u>		
Cash used for investment purchases	(799,775)	(1,150,266)
Proceeds from investments sold (net)	<u>669,412</u>	<u>1,107,369</u>
Net cash used by investing activities	<u>(130,363)</u>	<u>(42,897)</u>
Net change in cash and cash equivalents	223,928	(9,035)
Cash and cash equivalents at beginning of year	<u>476,389</u>	<u>485,424</u>
Cash and cash equivalents at end of year	<u>\$ 700,317</u>	<u>\$ 476,389</u>

(See accompanying notes to financial statements.)  
**COMMUNITY FOUNDATION OF GREATER ROCHESTER**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Foundation is a Michigan non-profit corporation incorporated April 5, 1983. The Foundation elected to end its fiscal year on December 31. During 1998, the Foundation elected to adopt the assumed name of Community Foundation of Greater Rochester.

The purpose of the Foundation is to receive and accept funds and property to be administered exclusively for charitable purposes primarily in and for the people of the Greater Rochester Area.

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Basis of Accounting and Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets. The bylaws of the foundation include a variance provision that allows the board of trustees of the foundation to vary the use of substantially all contributions received. The Board of Trustees strives to honor a donor's charitable intent, unless in their sole judgment that the intent becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community, or area served by the Foundation. Based on this variance provision, all assets of the Foundation have been classified as unrestricted. The following is a summary of the Foundation's internal classification of total net assets:

	<u>2006</u>	<u>2005</u>
Undesignated funds	\$ 573,982	\$ 516,730
Field of interest funds	519,421	392,208
Designated funds	344,690	231,604
Donor advised funds	4,219,516	4,085,015
Agency funds	979,248	802,973
Scholarship funds	<u>501,081</u>	<u>370,512</u>
Total net assets	<u>\$ 7,137,936</u>	<u>\$ 6,399,042</u>

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006 and 2005

**NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Continued

Accrual Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting.

Contributions

Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

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 donor-restricted support is 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 Statements of Activities as net assets released from restrictions.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity value of three months or less to be cash equivalents.

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006 and 2005

**NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Furniture and Equipment

All expenditures for furniture and equipment and the fair value of donated furniture and equipment are capitalized when material. As of December 31, 2006, all furniture and equipment has been fully depreciated.

Functional Allocation of Expenses

The cost of providing the program and support services have been reported in the statement of activities. Indirect costs have been allocated between the various programs and supporting services based on estimates by management.

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.

Donated Services

The Foundation receives donated services from a variety of unpaid volunteers. No amounts have been reflected in the financial statements for donated services inasmuch as an objective basis is not available to measure the value of such services.

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006 and 2005

Income Taxes

The Foundation qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and also is not a private foundation within the meaning of 509(a)(2) of the Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The Foundation has also qualified as a "Community Foundation" for Michigan income tax credit purposes.

NOTE B - Investments:

Investments are stated at fair values and are summarized as follows as of December 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>	<u>Difference</u>
Mutual Funds	<u>\$ 5,115,831</u>	<u>\$5,987,627</u>	<u>\$ 871,796</u>

December 31, 2005:

	<u>Cost</u>	<u>Fair Value</u>	<u>Difference</u>
Mutual Funds	<u>\$4,904,407</u>	<u>\$5,515,917</u>	<u>\$ 611,510</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31:

	<u>Total Unrestricted</u>	
	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 243,756	\$ 201,957
Unrealized gains/(losses) on investments	341,347	114,012
Realized gains/(losses)	<u>81,061</u>	<u>2,319</u>
	<u>\$ 666,164</u>	<u>\$ 318,288</u>

Investment expenses incurred for 2006 and 2005 were \$37,694 and \$28,309 respectively.

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE C - Grants:

At December 31, 2006 and 2005, the Foundation has approved grants which total \$72,905 and \$113,972 respectively which have been recognized as a liability in the statements.

NOTE D - Management and General Expenses:

Management and general expenses for the years ended December 31, 2006 and 2005 are summarized as follows:

	<u>Total Unrestricted</u>	
	<u>2006</u>	<u>2005</u>
Wages	\$ 94,866	\$ 95,989
Payroll taxes	12,698	10,722
Accounting/legal	3,858	2,941
Postage	6,379	6,509
Printing	3,721	4,289
Administration/other	<u>24,194</u>	<u>20,901</u>
Total	<u>\$ 145,716</u>	<u>\$ 141,351</u>

NOTE E - Donated Facilities:

During 2006 and 2005, the Foundation was allowed free use of office space. No amounts have been reflected in the financial statements for the facilities in as much as an objective basis is not available to measure the annual rental value.

NOTE F - Net Assets:

In accordance with the provisions of FASB Statement 136, the Foundation reclassified its net assets as unrestricted. The FASB Statements provide that if the governing documents of a community foundation provide for variance power over the funds, the funds should be classified as unrestricted. As a result, the net assets of the Foundation have been classified as unrestricted.

**COMMUNITY FOUNDATION OF GREATER ROCHESTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006 and 2005

NOTE G - Notes Receivable:

At December 31, 2006 and 2005, the notes receivable balance was \$510,000. The notes are payable on demand and include quarterly interest payments at the prime rate. Interest paid on the notes for 2006 and 2005 were \$38,526 and \$29,219 respectively.

NOTE H - Concentrations of Credit Risk:

The Foundation maintains cash balances at several financial institutions located in Michigan. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2006 and 2005, the Foundation's cash balance exceeded the FDIC limits by \$38,526 and \$263,727 respectively.

NOTE I - Insurance Policies:

The Foundation has become the owner and beneficiary of an insurance policy for \$1,000,000 in December 31, 2006. The donor has agreed to pay the annual premiums. The cash surrender value will be included in the financial statements when it exceeds the net surrender value.