

**PLACER COMMUNITY FOUNDATION
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2006**

PLACER COMMUNITY FOUNDATION
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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BARBARA L. JICHA

CERTIFIED PUBLIC ACCOUNTANT

May 21, 2007

To The Board of Directors
Placer Community Foundation
Auburn, California

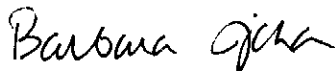
INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying consolidated statement of financial position of the Placer Community Foundation (the Foundation), a nonprofit organization, as of December 31, 2006, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Placer Community Foundation as of December 31, 2006, and the changes in its net assets and the changes in its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Placer Community Foundation taken as a whole. The accompanying Consolidating Statement of Financial Position, Consolidating Statement of Activities and Consolidated Statement of Functional Expenses are presented for purposes of additional analysis and are not part of the required basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements



Certified Public Accountant
Auburn, California

PLACER COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2006

ASSETS

Current Assets

Cash and Equivalents	\$	254,954
Accounts Receivable		25,956
Prepaid Expenses		845
Total Current Assets		281,755
Investments in Money Market Accounts		946,816
Investments in Government Securities		829,552
Investments in Mutual Funds		553,223
Investments in Common Stock		2,324,756
Leasehold Improvements		65,067
Furniture and Equipment		20,396
Accumulated Depreciation	(7,757)
Deposits		1,028
TOTAL ASSETS		\$ 5,014,836

LIABILITIES

Current Liabilities

Accounts Payable	\$	10,972
Accrued Liabilities		6,071
Accrued Vacation		7,229
Donations Payable		4,941
Deferred Revenue		163,200
Current Portion of Note Payable		2,120
Total Current Liabilities		194,533
Note Payable, less current portion		2,999
TOTAL LIABILITIES		197,532

NET ASSETS

Unrestricted		4,032,567
Temporarily Restricted		82,372
Permanently Restricted		702,365
TOTAL NET ASSETS		4,817,304
TOTAL LIABILITIES AND NET ASSETS		\$ 5,014,836

See Accompanying Accountant's Report and Notes to the Financial Statements

PLACER COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GRANTS, GAINS AND OTHER INCOME				
Contributions	\$ 77,997	60,485	\$ 702,365	\$ 840,847
Grants	121,896	-	-	121,896
Program Revenue	28,050	-	-	28,050
Workshop Fees	10,799	-	-	10,799
Interest and Dividends	138,208	382	-	138,590
Realized and Unrealized Gains	304,246	-	-	304,246
	<u>681,196</u>	<u>60,867</u>	<u>702,365</u>	<u>1,444,428</u>
Net Assets Released From Restriction	24,975	(24,975)	-	-
	<u>706,171</u>	<u>35,892</u>	<u>702,365</u>	<u>1,444,428</u>
EXPENSES				
Program Expenses	320,475	-	-	320,475
General and Administration	50,947	-	-	50,947
Fund Raising	93,492	-	-	93,492
	<u>464,914</u>	<u>-</u>	<u>-</u>	<u>464,914</u>
INCREASE IN NET ASSETS	241,257	35,892	702,365	979,514
NET ASSETS AT BEGINNING OF YEAR	<u>3,791,310</u>	<u>46,480</u>	<u>-</u>	<u>3,837,790</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,032,567</u>	<u>\$ 82,372</u>	<u>\$ 702,365</u>	<u>\$ 4,817,304</u>

See Accompanying Accountant's Report and Notes to the Financial Statements

PLACER COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 979,514
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	6,420
Net Unrealized Gains on Investments	(228,112)
(Increase) Decrease In:	
Accounts Receivable	(25,956)
Prepaid Expenses	152
Increase (Decrease) In:	
Accounts Payable	8,315
Accrued Liabilities	(2,254)
Accrued Vacation	1,597
Deferred Revenue	<u>66,887</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>806,563</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(4,699,047)
Proceeds From The Sale of Securities	3,942,021
Leasehold Improvements	(12,714)
Purchase of Equipment	<u>(9,063)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(778,803)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Equipment Note Payments	(<u>1,356</u>)
NET CASH USED BY FINANCING ACTIVITIES	<u>(1,356)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,404
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>228,550</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 254,954</u>

SUPPLEMENTAL DISCLOSURE:

Federal Tax Paid	\$ -
Interest Paid	\$ 196
Noncash investing and financing transaction:	
Acquisition of equipment	\$ 6,475
Equipment note payable	(\$ 6,475)

See Accompanying Accountant's Report and Notes to the Financial Statements

**PLACER COMMUNITY FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Placer Community Foundation (the Foundation) is a nonprofit organization whose mission is to encourage philanthropy for the betterment of communities in the region. The accompanying financial statements represent the consolidated financial statements of the Auburn Community Foundation and the Placer Community Foundation as both organizations are controlled by the same board of directors.

The Foundation began in 1948 as the Auburn Community Foundation, a private foundation operated by a board of community leaders from the City of Auburn, California. In 2004 the board recognized the need to grow as the community had grown, and to evolve into a public foundation that could improve the lives of people who reside along the western slope of Placer County. Effective January 1, 2005 the Auburn Community Foundation received approval to terminate its private foundation status and to commence operations under Section 501(c)(3) of the Internal Revenue Code (IRC).

Placer Community Foundation incorporated in the State of California on May 20, 2004 to operate as a public charity under IRC Section 501(c)(3). The Placer Community Foundation's goal is to build a collection of charitable gifts from a variety of sources. The gifts are pooled and invested and each year the earnings from the funds will be returned to the community in the form of grants, scholarships, and other charitable distributions. The Foundation supports the nonprofit community by offering training workshops that focus on key issues facing nonprofit organizations. The Foundation also sponsors the Placer Collaborative Network which consists of over fifty public and private health, mental health, social service and education agencies that are working together to provide comprehensive services to the local community.

The Foundation derives its income primarily from contributions and returns on investments. Since 1948 the Foundation has provided over \$2.1 million in grants to nonprofit organizations in the Placer County region. The Foundation focuses its grant-making around capacity building efforts for nonprofit agencies along the western slope of Placer County.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned rather than received and expenditures are recognized when incurred rather than when paid.

See accompanying accountant's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statements

These consolidated financial statements include the accounts of Auburn Community Foundation and Placer Community Foundation. All transactions between the two organizations have been eliminated.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities in three classes of net assets:

Unrestricted net assets are not subject to donor imposed stipulations.

Temporarily restricted net assets are subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and / or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Permanently restricted net assets are subject to donor-imposed restrictions that do not expire.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking, savings and money market accounts. The carrying value of cash and cash equivalents approximates fair value due to liquidity of these assets.

Investments

The Foundation carries investments in equity securities, mutual funds, money market funds and government securities, all of which have readily determinable market values. Investments are carried at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment Assets and Depreciation

Equipment is stated at cost or at fair market value at the date of donation in the case of donated assets. Depreciation is computed on the straight-line method and is based on expected useful lives of three years. Addition and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Leasehold Improvements

During 2005, the Foundation entered into an agreement to lease office space from an unrelated party for 15 years. Leasehold improvements were made to the interior space in exchange for 5 years of rent free occupancy and ten years of reduced rent. The improvements were completed in May 2006 and the Foundation commenced occupancy. The cost of the leasehold improvements will be amortized over 15 year life of the lease.

Deferred Revenue

The Foundation was awarded a three year grant from the James Irvine Foundation. During the year ended December 31, 2006, the Foundation received grant proceeds of \$172,000 and had expenses chargeable to grant totaling \$105,112, including capital asset additions of \$6,826. The excess of the funds received in 2005 and 2006 over the funds expended during this period are reflected in the financial statements as deferred revenue.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increased those net asset classes. When a donor restriction expires, through the passage of time or accomplishment of purpose, temporarily restricted net assets are reclassified to unrestricted net assets in the Statement of Activities.

Grants

Grants to other organizations are recorded as expenses when they are approved by the Board of Directors for payment. In addition, exterior building improvements totaling \$16,275 were expensed as a grant to the nonprofit organization that owns the building.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED)

Tax Status

The Auburn Community Foundation and the Placer Community Foundation are exempt from income taxes under Section 501 c (3) of the Internal Revenue Code and are exempt from state income taxes under Section 23701 of the California Revenue and Taxation Code.

Expense Allocation

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities and the supplemental statement of functional expenses. Accordingly, certain costs have been allocated among the program, supporting services and fund raising based on management's estimates.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist of cash and cash equivalents, and investments in equity securities, mutual funds money market funds and government securities. The Foundation's portfolio is managed by professional money managers. The investment firm is a member of the Securities Investor Protection Corporation (SPIC) which provides protection for investor accounts up to \$500,000, including \$100,000 for cash balances on account with the firm. The fair value of cash and investments in excess of SPIC insurance is \$4,181,579.

Cash and cash equivalents maintained at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2006, the Foundation had bank deposits of \$69,765 in excess of the FDIC insurance coverage.

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.

NOTE 2 – INVESTMENTS

Investments as of December 31, 2006 are as follows:

	<u>Fair Value</u>	<u>Cost</u> *
Money Market Funds	\$ 946,816	\$ 946,816
Government Securities	\$ 829,552	\$ 828,764
Mutual Funds	\$ 553,223	\$ 549,827
Common Stocks	\$2,324,756	\$2,089,228

*Cost or fair market value at date of donation.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$82,372 are available for specified uses or grants to other organizations. During 2006 temporarily restricted net assets released from restriction were comprised of the following:

Purpose / restriction accomplished:

Grants:

Arts, Culture, Humanity	\$ 7,000
Community Development	3,450
Education	1,250
Environmental	2,500
Health and Human Services	6,500
Religious Organization	750
Designated Purpose	<u>3,525</u>
	<u>\$ 24,975</u>

NOTE 4 – CAPITAL LEASE

During the year, the Foundation executed a three-year lease of a copy machine. The economic substance of the lease is that the Foundation is financing the acquisition of the copier through the lease, and accordingly, it is recorded in the Foundation's assets and liabilities. The copier is included in fixed assets at a value of \$6,475 and is subject to straight line depreciation over a period of three years. Future minimum payments under the capital lease are as follows:

2007	\$2,328
2008	2,328
2009	<u>776</u>
Total minimum lease payments	5,432
Less amount representing interest (at 5% per annum)	(<u>313</u>)
Present value of minimum lease payments	<u>\$5,119</u>

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Investments: The fair values of investments are based on quoted market prices for those investments.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The estimated fair values of the Foundation's financial instruments, none of which are held for trading purposes are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Instruments:		
Cash and Cash Equivalents	\$ 254,954	\$ 254,954
Money Market Accounts	\$ 946,816	\$ 946,816
Government Securities	\$ 829,552	\$ 829,552
Mutual Funds	\$ 553,223	\$ 553,223
Common Stock	\$2,324,756	\$2,324,756

NOTE 6 – GRANTS

The following is a listing of grants awarded and funded by the Foundation during the year ended December 31, 2006:

American Legion	\$ 450
Arts Council of Placer County	9,000
Auburn Area Christmas Basket Program	1,000
Auburn Placer Performing Arts Center	5,000
Auburn Symphony	1,000
Child Abuse Prevention Council of Placer County	2,703
Child Advocates of Placer County	3,000
Foothill Community Church of Religious Science	750
Foothill Habitat for Humanity	4,000
Hillman Foundation	250
Lincoln Arts & Culture Foundation	5,000
Magic Circle Theatre	5,000
Music Talk Inc.	4,500
Nepenthean Homes	2,500
Nonprofit Resource Center	5,500
Old Town Preservation Society	16,275
Placer Advocacy, Resources & Choice	5,623
Placer County Office of Education	1,000
Placer Land Trust	4,950
Placer Nature Center	2,500
Placer Society for the Prevention of Cruelty to Animals	3,700
Protect the American River Canyon	2,500
Senior Independent Services	3,800
Sierra Business Council	3,000
Sierra College Foundation	3,900
Sierra Council on Alcohol & Drug Dependency	5,000
South Placer Heritage Foundation	4,000
	<u>\$105,901</u>

NOTE 7 – CONCENTRATIONS:

During 2006, the Foundation received \$172,000 in grant funding from the James Irvine Foundation. The grants were made to assist the Foundation in increasing its philanthropic and leadership capacity and to increase its ability to attract new donors and address community needs.

A significant endowment contribution totaling \$702,000 was received from the John G. Walsh Trust in 2006. These funds are permanently restricted and the related earnings are to be used to fund scholarships.

PLACER COMMUNITY FOUNDATION

SUPPLEMENTAL STATEMENTS

PLACER COMMUNITY FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2006

	<u>Auburn Community Foundation</u>	<u>Placer Community Foundation</u>	<u>Consolidated Placer Community Foundation</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 57,956	\$ 196,998	\$ 254,954
Accounts Receivable	-	25,956	25,956
Prepaid Expenses	<u>597</u>	<u>248</u>	<u>845</u>
Total Current Assets	58,553	223,202	281,755
Investments in Common Stock	2,324,756	-	2,324,756
Investments in Government Securities	829,552	-	829,552
Investments in Mutual Funds	553,223	-	553,223
Investments in Money Market Accounts	161,624	785,192	946,816
Leasehold Improvements	62,992	2,075	65,067
Furniture & Equipment	3,280	17,116	20,396
Accumulated Depreciation	(4,009)	(3,748)	(7,757)
Deposits	-	1,028	1,028
TOTAL ASSETS	<u>\$ 3,989,971</u>	<u>\$ 1,024,865</u>	<u>\$ 5,014,836</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ -	\$ 10,972	\$ 10,972
Accrued Liabilities	22	6,049	6,071
Accrued Vacation	-	7,229	7,229
Donations Payable	4,941	-	4,941
Deferred Revenue	-	163,200	163,200
Current Portion of Note Payable	-	<u>2,120</u>	<u>2,120</u>
Total Current Liabilities	4,963	189,570	194,533
Note Payable, less current portion	-	<u>2,999</u>	<u>2,999</u>
TOTAL LIABILITIES	<u>4,963</u>	<u>192,569</u>	<u>197,532</u>
NET ASSETS			
Unrestricted	\$ 3,973,912	\$ 58,655	\$ 4,032,567
Temporarily Restricted	10,770	71,602	82,372
Permanently Restricted	326	702,039	702,365
TOTAL NET ASSETS	<u>\$ 3,985,008</u>	<u>\$ 832,296</u>	<u>\$ 4,817,304</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,989,971</u>	<u>\$ 1,024,865</u>	<u>\$ 5,014,836</u>

See Accompanying Accountant's Report and Notes to the Financial Statements

PLACER COMMUNITY FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

	<u>Auburn Community Foundation</u>	<u>Placer Community Foundation</u>	<u>Consolidated Placer Community Foundation</u>
REVENUES, GRANTS, GAINS AND OTHER INCOME			
Contributions	\$ 326	\$ 840,521	\$ 840,847
Grants	-	121,896	121,896
Program Revenue	-	28,050	28,050
Workshop Fees	-	10,799	10,799
Interest and Dividends	129,806	8,784	138,590
Realized and Unrealized Gains	304,227	19	304,246
	<u>434,359</u>	<u>1,010,069</u>	<u>1,444,428</u>
EXPENSES			
Salaries and Wages	74,881	79,176	154,057
Payroll Taxes	5,295	6,157	11,452
Employee Benefits	13,169	6,192	19,361
Grants to Other Organizations	33,725	72,176	105,901
Professional Services	35,133	84,512	119,645
Supplies	164	5,253	5,417
Telephone	261	3,330	3,591
Postage	-	3,273	3,273
Printing	-	11,229	11,229
Books and Reference Materials	-	818	818
Rent	1,828	580	2,408
Utilities	-	2,032	2,032
Meals and Entertainment	-	1,071	1,071
Travel and Meetings	302	3,030	3,332
Depreciation	2,847	3,573	6,420
Insurance	1,075	1,840	2,915
Membership Dues	-	699	699
Staff Development	-	2,016	2,016
Advertising	-	1,823	1,823
Donor Relations	-	1,407	1,407
Workshops	-	5,044	5,044
Filing Fees	20	55	75
Other	-	928	928
	<u>168,700</u>	<u>296,214</u>	<u>464,914</u>
INCREASE IN NET ASSETS	<u>\$ 265,659</u>	<u>\$ 713,855</u>	<u>\$ 979,514</u>

See Accompanying Accountant's Report and Notes to the Financial Statements

PLACER COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2006

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and Wages	\$ 78,154	\$ 23,836	\$ 52,067	\$ 154,057
Payroll Taxes	5,834	1,805	3,813	11,452
Employee Benefits	8,184	3,068	8,109	19,361
Grants to Other Organizations	105,901	-	-	105,901
Professional Services	106,142	10,814	2,689	119,645
Supplies	2,174	1,660	1,583	5,417
Telephone	2,075	731	785	3,591
Postage	394	992	1,887	3,273
Printing	661	487	10,081	11,229
Books and Reference Materials	-	818	-	818
Rent	895	406	1,107	2,408
Utilities	894	589	549	2,032
Meals and Entertainment	-	535	536	1,071
Travel and Meetings	507	1,361	1,464	3,332
Depreciation	2,825	1,274	2,321	6,420
Insurance	376	1,980	559	2,915
Membership Dues	210	-	489	699
Staff Development	-	-	2,016	2,016
Advertising	205	-	1,618	1,823
Donor Relations	-	-	1,407	1,407
Workshops	5,044	-	-	5,044
Filing Fees	-	75	-	75
Other	-	516	412	928
	<u>\$ 320,475</u>	<u>\$ 50,947</u>	<u>\$ 93,492</u>	<u>\$ 464,914</u>

See Accompanying Accountant's Report and Notes to the Financial Statements