

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS WITH SUPPLEMENTAL
INFORMATION**

**THE COMMUNITY FOUNDATION
FOR THE NATIONAL
CAPITAL REGION**

**MARCH 31, 2008 AND 2007 WITH
REPORT OF INDEPENDENT ACCOUNTANTS**

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

MARCH 31, 2008 AND 2007

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REPORT OF INDEPENDENT ACCOUNTANTS

December 4, 2008

To the Board of Trustees of
The Community Foundation for the National Capital Region:

We have audited the accompanying consolidated statements of financial position of The Community Foundation for the National Capital Region and its affiliates (collectively referred to as the Foundation) as of March 31, 2008 and 2007, and the related consolidated statements of activities and changes in net assets, and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for the National Capital Region as of March 31, 2008 and 2007, 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 consolidated financial statements taken as a whole. The supplemental consolidating schedules as of and for the years ended March 31, 2008 and 2007 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Argy, Wiltse & Robinson, P.C.

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 35,363,833	\$ 8,827,680
Investments	324,463,465	337,569,740
Pledges receivable, net	1,256,331	2,177,568
Notes receivable - net of present value discount of \$184,965 and \$325,432, respectively	17,095,744	1,119,458
Charitable remainder trusts receivable	3,242,002	5,113,786
Interest and other receivables	1,513,633	1,072,668
Property and equipment, net	31,581	51,178
Prepaid expenses and other assets	<u>147,714</u>	<u>30,872</u>
 Total assets	 \$ <u>383,114,303</u>	 \$ <u>355,962,950</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,962,154	\$ 1,218,489
Grants and appropriations payable - net of present value discount of \$871,800 and \$1,282,049, respectively	16,243,103	11,350,765
Funds held in trust for others	<u>2,907,464</u>	<u>2,993,687</u>
 Total liabilities	 <u>21,112,721</u>	 <u>15,562,941</u>
Net assets		
Unrestricted		
Operating funds	8,865,477	8,613,375
Supporting organization funds	47,999,891	51,404,133
Donor-advised and other funds	<u>299,482,426</u>	<u>272,485,412</u>
 Total unrestricted	 356,347,794	 332,502,920
Temporarily restricted	<u>5,653,788</u>	<u>7,897,089</u>
 Total net assets	 362,001,582	 340,400,009
Commitments	<u> </u>	<u> </u>
 Total liabilities and net assets	 \$ <u>383,114,303</u>	 \$ <u>355,962,950</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2008 AND 2007

	2008	2007
Changes in unrestricted net assets		
Support and revenue		
Contributions	\$ 121,252,502	\$ 93,025,940
Federal grants	0	187,300
Investment (loss) income, net	(2,166,626)	19,225,999
Other income	593,210	103,392
Net assets released from restrictions	1,071,201	6,134,840
Total unrestricted support and revenue	120,750,287	118,677,471
Expenses		
Program grants and appropriations	91,206,281	95,704,049
Supporting services		
General and administrative	2,614,666	2,637,480
Fundraising	3,084,466	2,728,794
Total supporting services	5,699,132	5,366,274
Total expenses	96,905,413	101,070,323
Increase in unrestricted net assets	23,844,874	17,607,148
Changes in temporarily restricted net assets		
Contributions	699,684	1,002,350
Net assets released from restrictions	(1,071,201)	(6,134,840)
Change in value of charitable remainder trusts	(1,871,784)	1,693,426
Decrease in temporarily restricted net assets	(2,243,301)	(3,439,064)
Changes in net assets	21,601,573	14,168,084
Net assets at the beginning of the year	340,400,009	326,231,925
Net assets at the end of the year	\$ 362,001,582	\$ 340,400,009

The accompanying notes are an integral part of these consolidated financial statements.

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Changes in net assets	\$ <u>21,601,573</u>	\$ <u>14,168,084</u>
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	18,397	18,397
Loss on disposal of property and equipment	1,200	0
Realized and unrealized losses (gains) on investments	13,403,990	(8,854,768)
Change in value of charitable remainder trusts receivable and notes receivable	1,871,784	(1,921,392)
Donated investments received	(62,824,045)	(24,394,990)
Accrued interest on note receivable	(486,875)	0
(Increase) decrease in:		
Pledges receivable	921,237	704,831
Interest and other receivables	(440,965)	593,277
Prepaid expenses and other assets	(116,842)	0
Increase (decrease) in:		
Accounts payable and accrued expenses	743,665	(398,792)
Grants and appropriations payable	4,892,338	(4,942,058)
Funds held in trust for others	<u>(86,223)</u>	<u>153,518</u>
Total adjustments	<u>(42,102,339)</u>	<u>(39,041,977)</u>
Net cash used in operating activities	<u>(20,500,766)</u>	<u>(24,873,893)</u>
Cash flows from investing activities:		
Purchases of investments	(89,703,763)	(273,438,879)
Proceeds from sales of investments	136,650,093	301,070,352
Payments received under notes receivable	90,589	175,589
Issuance of note receivable	<u>0</u>	<u>(15,000)</u>
Net cash provided by investing activities	<u>47,036,919</u>	<u>27,792,062</u>
Net increase in cash and cash equivalents	26,536,153	2,918,169
Cash and cash equivalents at the beginning of the year	<u>8,827,680</u>	<u>5,909,511</u>
Cash and cash equivalents at the end of the year	\$ <u><u>35,363,833</u></u>	\$ <u><u>8,827,680</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2008 AND 2007

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Community Foundation for the National Capital Region (the Community Foundation) was organized in December 1973 as The Community Foundation of Greater Washington pursuant to the District of Columbia Nonprofit Corporation Act, and commenced operations in January 1974. The Community Foundation has a single program to solicit contributions and award grants to assist in meeting the charitable, educational, civic, and cultural needs primarily of the greater Washington metropolitan area.

The Community Foundation is recognized as a not-for-profit, tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Foundation as a publicly supported organization.

The Community Foundation is comprised of a collection of component funds established by donors to the Community Foundation or internally designated by the Community Foundation. The Community Foundation service area is the greater Washington D.C. geographical region. To provide specific services to sub-parts of its service area, the Community Foundation has adopted an "area affiliate" organizational structure establishing three "area affiliate" designations, known as the Montgomery County Community Foundation (MCCF), the Prince Georges Community Foundation (PGCF) and the Alexandria Community Trust (ACT), to localize its exempt activities in Montgomery and Prince Georges counties, Maryland and Alexandria, Virginia.

The Summit Fund of Washington (the Summit Fund), and The Kristin and David Steinberg Foundation (the Steinberg Foundation), District of Columbia nonprofit corporations, are supporting organizations in which the Community Foundation has significant control over the functions of the organizations. Each organization benefits the Community Foundation through support of their missions. The Summit Fund and Steinberg Foundation have been recognized by the Internal Revenue Service as not-for-profit, tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

The consolidated financial statements include the accounts of the Community Foundation, the Summit Fund and the Steinberg Foundation (collectively referred to as the Foundation). All material interorganization balances and transactions have been eliminated in consolidation.

The significant accounting policies followed by the Foundation are described below.

Basis of accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Foundation reports contributions and grants in accordance with Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting of Contributions Received and Contributions Made*. Under SFAS 116, the Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the

consolidated statements of activities and changes in net assets as net assets released from restrictions. Revenue related to federal grants is recognized as the related costs are incurred.

Cash equivalents

For the purposes of the consolidated statements of cash flows, the Foundation considers short-term investments with initial maturities of three months or less to be cash equivalents. Temporary cash positions in the investment portfolio are considered investments and are not included in cash and cash equivalents in the accompanying consolidated statements of financial position.

Investments

Equity securities with readily determinable fair values and debt securities are presented at fair value in the consolidated financial statements based on quoted market prices. Limited partnership interests are reported at fair value in the consolidated financial statements as determined by the general partner of the limited partnership. Real estate investments and investments in privately-held entities are reported at the fair value of the investment as determined by appraisal at the date of the original gift. Gains and losses on investments, including changes in market value, are reported in the consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

Property and equipment

The Foundation capitalizes purchases of property and equipment in amounts greater than \$5,000. Property and equipment are recorded at cost and depreciated on a straight-line basis over an estimated useful life of five to ten years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the term of the related leases. Donated equipment is recorded at its estimated fair value on the date it is received.

Charitable remainder trusts receivable

The fair values of the charitable remainder trusts receivable are estimated based on various assumptions using the present value of estimated future lump-sum cash flows.

Grants and appropriations payable

Grant commitments are recognized when the Board of Trustees approves a specific grant. To the extent that grant commitments are to be paid over several years, the Foundation records such commitments at their present values.

Net assets

The Foundation classifies net assets into two categories: unrestricted and temporarily restricted. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted net assets consist of the following types of internally-designated funds:

Operating funds - Funds used for the general operation of the Foundation.

Supporting organization funds - Net assets of the Summit Fund and Steinberg Foundation.

Donor-advised and other funds - Funds established by donor contributions that enable donors to make recommendations from time to time about the distributions from the funds. The donors' advice in the grant-making process is considered by the Board of Trustees in making grants from these resources. Other funds include field of interest funds used to support particular interests to the donor, designated funds intended to benefit designated charitable organizations, and scholarship funds intended to assist students in obtaining an education.

Temporarily restricted net assets are contributions or grants with temporary, donor-imposed time and/or program restrictions. Temporarily restricted net assets are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions when the time restrictions

expire or the funds are used for their restricted purpose. Temporarily restricted net assets are subject to the Foundation component fund requirements, including a variance provision, but are considered temporarily restricted until funds are available for use. Temporarily restricted net assets consist of funds that are unavailable for use in the current period due to donor-imposed time restrictions that would otherwise be classified as unrestricted donor-advised funds or other funds.

The Foundation's consolidated financial statements are prepared in accordance with the provisions of SFAS 116 and SFAS 117, *Financial Statements of Not-for-Profit Organizations*. These standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. Under District of Columbia law and the Foundation's governing instruments, certain assets are held as endowment funds until such time (if ever) as the governing body deems it prudent and appropriate to expend some part of the principal or appreciation. Accordingly, the consolidated financial statements classify all net assets as unrestricted unless there is a time restriction.

Income taxes

As discussed above, the Foundation is not subject to income tax on its exempt activities. The Foundation has unrelated business income from certain investments that is subject to federal and state income taxes. For the years ended March 31, 2008 and 2007, the Foundation recorded a provision for federal and state taxes of approximately \$22,000 and \$7,000, respectively.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This Interpretation prescribes 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. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective as of the beginning of the first fiscal year beginning after December 15, 2007. The Foundation has not yet determined whether the adoption of this interpretation will have a material effect on its consolidated financial position, results of operations or cash flows.

New accounting standards

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 157 and SFAS 159 apply to reporting periods beginning after November 15, 2007. The Foundation has not determined the effect, if any, that the provisions of SFAS 157 and SFAS 159 will have on its financial statements.

Reclassifications

Certain amounts presented in the 2007 consolidated statements have been reclassified to conform to the 2008 presentation. These reclassifications have no effect on the previously reported changes in net assets.

NOTE 2 - INVESTMENTS

Investments consist of the following at March 31:

	<u>2008</u>	<u>2007</u>
Cash and money market investments	\$ 44,208,602	\$ 61,090,864
Government securities	1,601,382	59,268,007
Fixed income securities	69,376,472	32,047,289
Marketable equity securities	115,098,160	124,621,317
Real estate	2,228,341	9,824,467
Interest in business entities and other alternatives	<u>91,950,508</u>	<u>50,717,796</u>
	<u>\$ 324,463,465</u>	<u>\$ 337,569,740</u>

Investment (loss) income is comprised of the following for the years ended March 31:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 13,041,358	\$ 10,831,918
Net realized and unrealized (losses) gains	(14,126,513)	8,854,768
Less: investment management fees	<u>(1,081,471)</u>	<u>(460,687)</u>
	<u>\$ (2,166,626)</u>	<u>\$ 19,225,999</u>

During fiscal years 2008 and 2007, the Foundation received unrestricted contributions of fixed income and marketable equity securities with a total estimated fair value of \$47,244,045 and \$24,394,990, respectively, at the time of receipt. During fiscal year 2008, the Foundation also received an unrestricted contribution of a limited partnership interest with an estimated fair value of \$15,580,000. This interest was then sold in exchange for a note receivable (see Note 4). Funds held in trust for others of \$2,907,464 and \$2,993,687, respectively, are invested in fixed income and marketable equity securities (see Note 8).

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following at March 31:

	<u>2008</u>	<u>2007</u>
Due in less than one year	\$ 919,680	\$ 1,865,032
Due in one to four years	<u>410,002</u>	<u>480,668</u>
	1,329,682	2,345,700
Less: discount to present value (from 1.93% to 4.74%)	<u>(73,351)</u>	<u>(168,132)</u>
	<u>\$ 1,256,331</u>	<u>\$ 2,177,568</u>

NOTE 4 - NOTES RECEIVABLE

The notes receivable balance consists of four notes. Three of the notes, with combined initial face values of \$1,568,000, are non-interest bearing and have varying maturities from one year to fifteen years. The notes are recorded at the present value of the future cash flows, utilizing an imputed interest rate of 1.93%.

The fourth note was issued in fiscal year 2008 with a principal balance of \$15,580,000. This note bears interest at 5.00% per annum and provides for annual interest payments. A balloon payment equal to the outstanding principal and accrued interest is due August 31, 2014. At March 31, 2008, the note receivable balance includes \$486,875 of accrued interest earned on this note.

NOTE 5 - CHARITABLE REMAINDER TRUSTS RECEIVABLE

During fiscal year 2006, The Community Foundation received a \$3,910,500 pledge to be received from the assets of a charitable remainder unitrust, payable on the termination date of the unitrust, or ten years from the date that the underlying assets were transferred to the trust. The underlying agreement calls for payments of 9.5% of the net fair market value of the trust assets to be paid quarterly to the income and/or successor beneficiary of the trust during the period of the trust. The Community Foundation does not have control over the underlying assets and is not a trustee. The estimated net value of the pledge totaled \$660,432 and \$2,719,009 at March 31, 2008 and 2007, respectively, and is included in the charitable remainder trusts receivable in the accompanying consolidated statements of financial position. This amount is revalued annually. The estimated net present value of the charitable remainder trust is currently considered to be temporarily restricted until the funds are received.

During fiscal year 1994, The Community Foundation received a \$3 million pledge to be received from the assets of a charitable remainder trust upon the termination of life interests retained by the donor. The estimated net value of the pledge totaled \$2,581,570 and \$2,394,777 at March 31, 2008 and 2007, respectively, and is included in the charitable remainder trusts receivable in the accompanying consolidated statements of financial position. The estimated net present value of the charitable remainder trust is currently considered to be temporarily restricted until the funds are received. Upon receipt of the ultimate pledge, \$503,946 will be reflected as an unrestricted endowment fund, and the remaining amount will be reflected as an unrestricted donor-advised fund in accordance with the donor's agreement and the variance powers of the Board of Trustees.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31:

	<u>2008</u>	<u>2007</u>
Furniture and office equipment	\$ 184,733	\$ 185,932
Computer software	65,046	65,046
Leasehold improvements	<u>8,733</u>	<u>8,733</u>
	258,512	259,711
Less: accumulated depreciation and amortization	<u>(226,931)</u>	<u>(208,533)</u>
	<u>\$ 31,581</u>	<u>\$ 51,178</u>

During each of the years ended March 31, 2008 and 2007, the Foundation recorded depreciation and amortization expense related to property and equipment of \$18,397.

NOTE 7 - GRANTS AND APPROPRIATIONS PAYABLE

The Foundation generally makes grants to fund organizations that promote charitable, educational, civic and cultural needs primarily of the greater Washington metropolitan area. Scheduled future minimum payments for these grants as of March 31, 2008 are as follows:

<u>Years ending March 31,</u>	
2009	\$ 7,788,320
2010	5,549,033
2011	2,696,000
2012	<u>1,270,500</u>
	17,303,853
Less: amount representing interest	<u>(1,060,750)</u>
	<u>\$ 16,243,103</u>

NOTE 8 - FUNDS HELD IN TRUST FOR OTHERS

The Community Foundation has been appointed to serve as trustee for several charitable trusts. Funds held in this capacity are included as assets and liabilities in the consolidated statements of financial position.

NOTE 9 - DONOR-ADVISED AND OTHER FUNDS

Donor-advised and other funds consist of the following as of March 31:

	<u>2008</u>	<u>2007</u>
Donor-advised funds	\$ 213,598,505	\$ 200,805,998
Endowments funds	5,873,598	2,308,084
Field of interest funds	28,404,591	29,677,285
Designated funds	10,554,581	6,448,132
Scholarship funds	9,896,563	1,237,084
Funds designated as Area affiliate funds		
Montgomery County Community Foundation	21,214,048	19,491,807
Prince George's County Community Foundation	2,779,549	2,870,282
Alexandria Community Trust	5,338,153	4,513,969
Survivors' Fund	<u>762,088</u>	<u>4,260,971</u>
	298,421,676	271,613,612
Plus: unallocated net present value of interest on grants payable (see Note 7)	<u>1,060,750</u>	<u>871,800</u>
	<u>\$ 299,482,426</u>	<u>\$ 272,485,412</u>

NOTE 10 - RETIREMENT PLAN

The Community Foundation maintains a defined contribution retirement plan (the Plan) for eligible employees. The Community Foundation contributes ten percent of each eligible employee's compensation to the Plan. Employees who commenced employment after April 1992 are eligible to participate immediately, while Community Foundation contributions vest ratably over three years of employment. Employees who commenced employment prior to April 1992 were eligible to participate after one year of service, while Community Foundation contributions for these employees vest immediately. The Foundation recorded contributions to the Plan of \$217,381 and \$216,865 for the years ended March 31, 2008 and 2007, respectively.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Foundation is subject to credit risk concentrations principally from cash and cash equivalents, investments, pledges receivable, and notes receivable. The Foundation believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, at times, the Foundation had cash and cash equivalents on deposit with financial institutions that exceeded federally insured limits. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits. As of the date of the issuance of these financial statements, the market in which the Foundation's securities are traded has experienced a substantial decline. The Foundation's pledges and notes receivable balances consist primarily of amounts due from individuals and corporations. The Foundation's management reviews and notes the pledges receivable balances as a whole to determine the adequacy of its allowance for doubtful accounts.

At March 31, 2008 and 2007, the Foundation held approximately 2% and 6%, respectively, of its total investment portfolio in the common stock of one company. As this common stock investment represents

a significant proportion of the entity's total investment portfolio and assets, declines in the fair value of the related stock could significantly affect the value of the investment portfolio and its net assets.

NOTE 12 - SUPPORTING SERVICES

Supporting services expenses are comprised of the following for the years ended March 31:

	<u>2008</u>	<u>2007</u>
Special fundraising events	\$ 2,345,524	\$ 1,969,467
Salaries and fringe benefits	2,177,118	2,158,610
Office and equipment lease expenses	478,368	475,829
Professional fees and consultant	190,166	199,100
Office supplies	155,614	194,782
Other	144,357	163,804
Travel and meetings	98,874	104,714
Telephone	48,691	50,243
Postage	42,023	31,328
Depreciation and amortization	<u>18,397</u>	<u>18,397</u>
	<u>\$ 5,699,132</u>	<u>\$ 5,366,274</u>

Included in supporting services is \$1,419,356 and \$1,124,037 for program administration services for the years ended March 31, 2008 and 2007, respectively.

NOTE 13 - COMMITMENTS

Operating leases

The Foundation leases office space in Washington, D.C. under the terms of a noncancelable operating lease that expires in June 2012. In addition, the Foundation leases office space for its affiliate fund in Montgomery County under the terms of a noncancelable operating lease that also expires in June 2012. These lease and sublease agreements contain escalation clauses and provisions for the payment of taxes and operating expenses.

The following is a schedule by year of the future minimum lease payments required under the operating leases as of March 31, 2008:

<u>Years ending March 31,</u>	
2009	\$ 417,000
2010	433,000
2011	450,000
2012	468,000
2013	<u>118,000</u>
	<u>\$ 1,886,000</u>

In accordance with accounting principles generally accepted in the United States of America, the Foundation is recognizing the total cost of its office lease ratably over the lease period. The difference between rent paid and that expensed is reflected as deferred rent, which is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position, and is being amortized over the term of the lease.

The Foundation subleases a portion of its office space under the terms of an annual operating sublease with annual extension options through June 2012. Rent expense, net of sublease income of \$127,554 and \$112,072, respectively, totaled \$297,344 and \$293,480 for the years ended March 31, 2008 and 2007, respectively.

Lease of donated property

In November 1997, The Community Foundation received donated property in the District of Columbia with an appraised value of \$605,735 that it leased to the D.C. Metropolitan Police Department to establish a police substation. The original lease term was ten years and The Community Foundation received rental payments thereon of \$1 per year. Under the terms of the donor agreement, at the end of the ten-year period, The Community Foundation had the option to sell or lease the property at its fair market value. In February 2008, The Community Foundation renewed its lease with the D.C. Metropolitan Police Department for an additional three years at below fair market value.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Summit Fund paid a related organization \$395,974 during the year ended March 31, 2007 for office space and administrative support. The Summit Fund received \$350,467 and \$87,104 in donated support from the related entity during the years ended March 31, 2008 and 2007, respectively. One founder and the President of this related organization are also on the Board of Trustees of the Summit Fund and the President is a trustee emeritus of The Community Foundation.

The President of the Community Foundation serves on the Board of Directors of several not-for-profit organizations. During 2008 and 2007, the Community Foundation paid grants totaling \$690,880 and \$194,300, respectively, as well as a membership fees of \$22,100 and \$1,000, respectively, to these organizations.

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for periods after March 31, 2008 (see Note 1).

**THE COMMUNITY FOUNDATION FOR THE NATIONAL
CAPITAL REGION**

SUPPLEMENTAL INFORMATION

MARCH 31, 2008 AND 2007

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

MARCH 31, 2008

	<u>The</u> <u>Community</u> <u>Foundation</u>	<u>The Summit</u> <u>Fund of</u> <u>Washington</u>	<u>Kristin</u> <u>and David</u> <u>Steinberg</u> <u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 26,398,467	\$ 8,723,661	\$ 241,705	\$ 0	\$ 35,363,833
Investments	279,138,919	43,507,843	1,816,703	0	324,463,465
Pledges receivable, net	1,256,331	0	0	0	1,256,331
Notes receivable, net	17,095,744	0	0	0	17,095,744
Charitable remainder trusts receivable	2,581,570	0	660,432	0	3,242,002
Interest and other receivables	1,592,812	9,427	0	(88,606)	1,513,633
Property and equipment, net	31,581	0	0	0	31,581
Prepaid expenses and other assets	<u>147,714</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>147,714</u>
 Total assets	 <u>\$ 328,243,138</u>	 <u>\$ 52,240,931</u>	 <u>\$ 2,718,840</u>	 <u>\$ (88,606)</u>	 <u>\$ 383,114,303</u>
Liabilities					
Accounts payable and accrued expenses	\$ 1,918,812	\$ 43,342	\$ 0	\$ 0	\$ 1,962,154
Grants and appropriations payable, net	10,075,603	6,248,606	7,500	(88,606)	16,243,103
Funds held in trust for others	<u>2,907,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,907,464</u>
 Total liabilities	 <u>14,901,879</u>	 <u>6,291,948</u>	 <u>7,500</u>	 <u>(88,606)</u>	 <u>21,112,721</u>
Net assets					
Unrestricted	308,347,903	45,948,983	2,050,908	0	356,347,794
Temporarily restricted	<u>4,993,356</u>	<u>0</u>	<u>660,432</u>	<u>0</u>	<u>5,653,788</u>
 Total net assets	 <u>313,341,259</u>	 <u>45,948,983</u>	 <u>2,711,340</u>	 <u>0</u>	 <u>362,001,582</u>
 Total liabilities and net assets	 <u>\$ 328,243,138</u>	 <u>\$ 52,240,931</u>	 <u>\$ 2,718,840</u>	 <u>\$ (88,606)</u>	 <u>\$ 383,114,303</u>

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THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

MARCH 31, 2007

	<u>The Community Foundation</u>	<u>The Summit Fund of Washington</u>	<u>Kristin and David Steinberg Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 0	\$ 8,827,680	\$ 0	\$ 0	\$ 8,827,680
Investments	288,842,298	46,171,523	2,555,919	0	337,569,740
Pledges receivable, net	2,177,568	0	0	0	2,177,568
Notes receivable, net	1,119,458	0	0	0	1,119,458
Charitable remainder trusts receivable	2,394,777	0	2,719,009	0	5,113,786
Interest and other receivables	1,053,668	19,000	0	0	1,072,668
Property and equipment, net	51,178	0	0	0	51,178
Prepaid expenses and other assets	<u>30,872</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,872</u>
 Total assets	 <u>\$ 295,669,819</u>	 <u>\$ 55,018,203</u>	 <u>\$ 5,274,928</u>	 <u>\$ 0</u>	 <u>\$ 355,962,950</u>
Liabilities					
Accounts payable and accrued expenses	\$ 1,207,623	\$ 10,866	\$ 0	\$ 0	\$ 1,218,489
Grants and appropriations payable, net	4,682,265	6,661,000	7,500	0	11,350,765
Funds held in trust for others	<u>2,993,687</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,993,687</u>
 Total liabilities	 <u>8,883,575</u>	 <u>6,671,866</u>	 <u>7,500</u>	 <u>0</u>	 <u>15,562,941</u>
Net assets					
Unrestricted	281,608,164	48,346,337	2,548,419	0	332,502,920
Temporarily restricted	<u>5,178,080</u>	<u>0</u>	<u>2,719,009</u>	<u>0</u>	<u>7,897,089</u>
 Total net assets	 <u>286,786,244</u>	 <u>48,346,337</u>	 <u>5,267,428</u>	 <u>0</u>	 <u>340,400,009</u>
 Total liabilities and net assets	 <u>\$ 295,669,819</u>	 <u>\$ 55,018,203</u>	 <u>\$ 5,274,928</u>	 <u>\$ 0</u>	 <u>\$ 355,962,950</u>

See report of independent accountants.

THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2008

	<u>The Community Foundation</u>	<u>The Summit Fund of Washington</u>	<u>Kristin and David Steinberg Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Changes in unrestricted net assets					
Support and revenue					
Contributions	\$ 118,120,614	\$ 3,565,900	\$ 0	\$ (434,012)	\$ 121,252,502
Investment (loss) income, net	(5,122,806)	3,272,883	(316,703)	0	(2,166,626)
Other income	652,730	4,758	0	(64,278)	593,210
Net assets released from restrictions	<u>1,071,201</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,071,201</u>
Total unrestricted support and revenue	<u>114,721,739</u>	<u>6,843,541</u>	<u>(316,703)</u>	<u>(498,290)</u>	<u>120,750,287</u>
Expenses					
Program grants and appropriations	<u>82,692,983</u>	<u>8,793,280</u>	<u>154,030</u>	<u>(434,012)</u>	<u>91,206,281</u>
Supporting services					
General and administrative	2,204,551	447,615	26,778	(64,278)	2,614,666
Fundraising	<u>3,084,466</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,084,466</u>
Total supporting services	<u>5,289,017</u>	<u>447,615</u>	<u>26,778</u>	<u>(64,278)</u>	<u>5,699,132</u>
Total expenses	<u>87,982,000</u>	<u>9,240,895</u>	<u>180,808</u>	<u>(498,290)</u>	<u>96,905,413</u>
Increase (decrease) in unrestricted net assets	<u>26,739,739</u>	<u>(2,397,354)</u>	<u>(497,511)</u>	<u>0</u>	<u>23,844,874</u>
Changes in temporarily restricted net assets					
Contributions	699,684	0	0	0	699,684
Net assets released from restrictions	(1,071,201)	0	0	0	(1,071,201)
Change in value of charitable remainder trusts	<u>186,793</u>	<u>0</u>	<u>(2,058,577)</u>	<u>0</u>	<u>(1,871,784)</u>
Decrease in temporarily restricted net assets	<u>(184,724)</u>	<u>0</u>	<u>(2,058,577)</u>	<u>0</u>	<u>(2,243,301)</u>
Changes in net assets	26,555,015	(2,397,354)	(2,556,088)	0	21,601,573
Net assets at the beginning of year	<u>286,786,244</u>	<u>48,346,337</u>	<u>5,267,428</u>	<u>0</u>	<u>340,400,009</u>
Net assets at the end of year	<u>\$ 313,341,259</u>	<u>\$ 45,948,983</u>	<u>\$ 2,711,340</u>	<u>\$ 0</u>	<u>\$ 362,001,582</u>

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THE COMMUNITY FOUNDATION FOR THE NATIONAL CAPITAL REGION
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2007

	<u>The Community Foundation</u>	<u>The Summit Fund of Washington</u>	<u>Kristin and David Steinberg Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Changes in unrestricted net assets					
Support and revenue					
Contributions	\$ 89,221,991	\$ 4,139,834	\$ 0	\$ (335,885)	\$ 93,025,940
Federal grants	187,300	0	0	0	187,300
Investment income, net	12,729,047	6,210,535	286,417	0	19,225,999
Other income	159,208	0	0	(55,816)	103,392
Net assets released from restrictions	<u>6,134,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,134,840</u>
Total unrestricted support and revenue	<u>108,432,386</u>	<u>10,350,369</u>	<u>286,417</u>	<u>(391,701)</u>	<u>118,677,471</u>
Expenses					
Program grants and appropriations	<u>90,444,924</u>	<u>5,443,530</u>	<u>151,480</u>	<u>(335,885)</u>	<u>95,704,049</u>
Supporting services					
General and administrative	2,184,690	483,077	25,529	(55,816)	2,637,480
Fundraising	<u>2,728,794</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,728,794</u>
Total supporting services	<u>4,913,484</u>	<u>483,077</u>	<u>25,529</u>	<u>(55,816)</u>	<u>5,366,274</u>
Total expenses	<u>95,358,408</u>	<u>5,926,607</u>	<u>177,009</u>	<u>(391,701)</u>	<u>101,070,323</u>
Increase in unrestricted net assets	<u>13,073,978</u>	<u>4,423,762</u>	<u>109,408</u>	<u>0</u>	<u>17,607,148</u>
Changes in temporarily restricted net assets					
Contributions	1,002,350	0	0	0	1,002,350
Net assets released from restrictions	(6,134,840)	0	0	0	(6,134,840)
Change in value of charitable remainder trusts	<u>173,278</u>	<u>0</u>	<u>1,520,148</u>	<u>0</u>	<u>1,693,426</u>
(Decrease) increase in temporarily restricted net assets	<u>(4,959,212)</u>	<u>0</u>	<u>1,520,148</u>	<u>0</u>	<u>(3,439,064)</u>
Changes in net assets	8,114,766	4,423,762	1,629,556	0	14,168,084
Net assets at the beginning of year	<u>278,671,478</u>	<u>43,922,575</u>	<u>3,637,872</u>	<u>0</u>	<u>326,231,925</u>
Net assets at the end of year	<u>\$ 286,786,244</u>	<u>\$ 48,346,337</u>	<u>\$ 5,267,428</u>	<u>\$ 0</u>	<u>\$ 340,400,009</u>

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