

**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS  
DECEMBER 31, 2005 AND 2004**

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**DECEMBER 31, 2005 AND 2004**

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## **Report of Independent Certified Public Accountants**

To the Board of Directors of  
The Vermont Community Foundation, Inc.,  
and Affiliated Organizations

We have audited the accompanying consolidated statements of financial position of The Vermont Community Foundation, Inc., and Affiliated Organizations as of December 31, 2005 and 2004, and the related consolidated statements of activities 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 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 audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial position of The Vermont Community Foundation, Inc., and Affiliated Organizations as of December 31, 2005 and 2004, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gallagher, Flynn & Company, LLP*

June 16, 2006

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31,**

**A S S E T S**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,405,569	\$ 6,014,397
Accrued investment income	337,743	302,627
Pledges receivable	50,256	611,280
Investments with readily determinable fair values	116,244,505	97,419,371
Other investments	1,840,000	915,000
Property and equipment, net	4,385,334	4,321,286
Other assets	<u>558,958</u>	<u>730,510</u>
Total assets	<u>\$127,822,365</u>	<u>\$110,314,471</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Grants payable	\$ 826,287	\$ 409,212
Accounts payable and accrued liabilities	573,791	480,207
Long-term debt	76,622	98,294
Funds held for others under agency transactions	17,376,647	14,856,519
Liability under split-interest agreements	<u>5,013,287</u>	<u>4,051,260</u>
Total liabilities	<u>23,866,634</u>	<u>19,895,492</u>
<b>NET ASSETS</b>		
Unrestricted	100,872,299	87,207,912
Temporarily restricted	<u>3,083,432</u>	<u>3,211,067</u>
Total net assets	<u>103,955,731</u>	<u>90,418,979</u>
Total liabilities and net assets	<u>\$127,822,365</u>	<u>\$110,314,471</u>

The accompanying notes are an integral part of these statements.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**YEARS ENDED DECEMBER 31,**

	<u>2005</u>			<u>2004</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND GAINS:</b>						
Contributions	\$ 17,407,586	\$ 765,363	\$ 18,172,949	\$ 13,138,951	\$ 635,077	\$ 13,774,028
Management fees	162,823	-	162,823	89,735	-	89,735
Rent income	365,729	-	365,729	319,430	-	319,430
Other income (loss)	<u>11,928</u>	<u>(30,937)</u>	<u>(19,009)</u>	<u>20,583</u>	<u>-</u>	<u>20,583</u>
	17,948,066	734,426	18,682,492	13,568,699	635,077	14,203,776
Total return on investments	5,538,924	479,206	6,018,130	7,652,073	623,654	8,275,727
Changes in the present value of split-interest agreements liability	-	(502,864)	(502,864)	-	(306,715)	(306,715)
Net assets released from restrictions	<u>838,403</u>	<u>(838,403)</u>	<u>-</u>	<u>1,025,359</u>	<u>(1,025,359)</u>	<u>-</u>
Total revenues and gains	<u>24,325,393</u>	<u>(127,635)</u>	<u>24,197,758</u>	<u>22,246,131</u>	<u>(73,343)</u>	<u>22,172,788</u>
<b>EXPENSES:</b>						
Program expenses:						
Grants	8,123,908	-	8,123,908	8,276,588	-	8,276,588
Grant administration	384,036	-	384,036	347,122	-	347,122
Other program expenses	<u>373,447</u>	<u>-</u>	<u>373,447</u>	<u>225,138</u>	<u>-</u>	<u>225,138</u>
Total program expenses	<u>8,881,391</u>	<u>-</u>	<u>8,881,391</u>	<u>8,848,848</u>	<u>-</u>	<u>8,848,848</u>
Supporting services:						
Management and general	1,388,778	-	1,388,778	1,494,754	-	1,494,754
Fundraising	<u>390,837</u>	<u>-</u>	<u>390,837</u>	<u>422,933</u>	<u>-</u>	<u>422,933</u>
Total supporting services	<u>1,779,615</u>	<u>-</u>	<u>1,779,615</u>	<u>1,917,687</u>	<u>-</u>	<u>1,917,687</u>
Total expenses	<u>10,661,006</u>	<u>-</u>	<u>10,661,006</u>	<u>10,766,535</u>	<u>-</u>	<u>10,766,535</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	13,664,387	(127,635)	13,536,752	11,479,596	(73,343)	11,406,253
<b>NET ASSETS, beginning of year</b>	<u>87,207,912</u>	<u>3,211,067</u>	<u>90,418,979</u>	<u>75,728,316</u>	<u>3,284,410</u>	<u>79,012,726</u>
<b>NET ASSETS, end of year</b>	<u>\$ 100,872,299</u>	<u>\$ 3,083,432</u>	<u>\$ 103,955,731</u>	<u>\$ 87,207,912</u>	<u>\$ 3,211,067</u>	<u>\$ 90,418,979</u>

The accompanying notes are an integral part of these statements.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31,**

	<u>2005</u>	<u>2004*</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	<u>\$13,536,752</u>	<u>\$11,406,253</u>
Noncash items included in increase in net assets:		
Depreciation	137,924	134,177
Gains on investments	(4,367,455)	(7,001,407)
Noncash contributions	(7,435,593)	(7,298,229)
Deferred compensation	-	250,000
Changes in the present value of split-interest agreements liability	502,864	306,715
Increase in cash surrender value of life insurance policies	(20,066)	(14,536)
Loss on disposal of assets	3,027	-
Changes in assets and liabilities:		
Pledges receivable	589,992	948,121
Other assets	127,536	(210,710)
Grants payable	417,075	(193,418)
Accounts payable and accrued liabilities	93,584	1,301
Liability under split-interest agreements, net	459,163	19,761
Funds held for others under agency transactions	<u>2,520,128</u>	<u>2,561,151</u>
	<u>(6,971,821)</u>	<u>(10,497,074)</u>
Net cash provided by operating activities	<u>6,564,931</u>	<u>909,179</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	37,569,832	15,864,620
Proceeds from sale of other assets	-	699,000
Purchase of investments	(45,650,418)	(14,547,412)
Acquisition of property and equipment	<u>(71,501)</u>	<u>(133,938)</u>
Net cash provided by (used in) investing activities	<u>(8,152,087)</u>	<u>1,882,270</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of contributions restricted for building	-	4,881
Principal payments on long-term borrowings	<u>(21,672)</u>	<u>(20,793)</u>
Net cash used in financing activities	<u>(21,672)</u>	<u>(15,912)</u>
Net increase (decrease) in cash and cash equivalents	(1,608,828)	2,775,537
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>6,014,397</u>	<u>3,238,860</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 4,405,569</u>	<u>\$ 6,014,397</u>
<b><u>Supplemental Disclosures of Cash Flows Information</u></b>		
Cash paid during the year for:		
Interest expense	<u>\$ 4,778</u>	<u>\$ 5,907</u>

\* Reclassified for comparative purposes.

The accompanying notes are an integral part of these statements.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES**

**Operations:**

The Vermont Community Foundation, Inc., was incorporated in 1986 primarily to raise funds to support various charitable activities for the benefit of the people of the state of Vermont. Substantially all contributions are raised in Vermont. The Foundation exercises significant control over supporting organizations, which have been established for similar purposes. Accordingly, consolidated financial statements, which include these supporting organizations, are presented (see Note H).

**Accounting policies:**

A summary of the Foundation's significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

**1. Basis of presentation**

The consolidated financial statements for The Vermont Community Foundation, Inc., and Affiliated Organizations (the "Foundation") have been prepared on the accrual basis of accounting, which means that revenues are recognized when they are earned and expenses are recognized as they are incurred, whether or not cash is received or paid at that time.

These financial statements include the activity of the following controlled supporting organizations:

- The J. Warren and Lois McClure Foundation, formed in 1994
- The Tarrant Supporting Organization Foundation, formed in 1996, dissolved in 2005
- The Antonio B. & Rita M. Pomerleau Foundation, formed in 1997
- The Right Track Foundation, formed in 1999
- The Permanent Fund for the Well-Being of Vermont Children, formed in 2000
- The Bryan Family Foundation, Inc., formed in 2002
- The Indian Tree Charitable Foundation, formed in 2002
- The Wisdom Connection, Inc., formed in 2003
- The High Meadows Fund, Inc., formed in 2004

All significant interfoundation transactions have been eliminated.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**2. Contributions and promises to give**

The Foundation recognizes contributions and promises to give when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Real estate received as contributions is recorded as revenue at fair value on the date of receipt.

Marketable securities and other assets received as contributions are recorded as revenue at their mean fair value on the date of receipt.

**3. Funds held for others**

Resources from donors that specify themselves as the beneficiary of the transferred assets are, in accordance with Statement of Financial Accounting Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, recorded as a liability for "funds held for others under agency transactions."

**4. Contributed services**

During the years ended December 31, 2005 and 2004, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**5. Cash and cash equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**6. Investments**

Investments with readily determinable fair values are stated at market value. Other investments, including promissory notes, are stated at face value.

Investment income, gains and losses are allocated to the various funds based upon relative average daily market value. Unrealized gains and losses are included in the changes in net assets.

**7. Property and equipment**

Property and equipment is stated at cost or, if donated, at fair value determined at the date of donation, less accumulated depreciation. Depreciation is calculated based on the straight-line method over the respective estimated useful lives of the assets. Expenditures for major improvements are capitalized and expenditures that do not extend the lives of the related assets are charged to repairs and maintenance.

**8. Income taxes**

The Vermont Community Foundation, Inc., and the supporting organizations are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation and each supporting organization file separate federal income tax returns.

**9. Functional expenses and allocation of shared costs**

Expenses are charged to program and supporting services based on direct expenses incurred. Common costs, including occupancy and fringe benefits are allocated to program services based upon related utilization.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**10. Other program expenses**

Other program expenses represent activities of certain special projects for which the Foundation provides administrative support. The special projects include: Childcare Fund of Vermont and the Vermont Women's Fund. The direct costs of these activities are charged to the funds and are reflected as other program expenses.

**11. Reclassification of prior year amounts**

Certain balances in the 2004 consolidated financial statements have been reclassified to conform to the manner of presentation used in the 2005 financial statements.

**12. Use of estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**B) CONCENTRATIONS OF CREDIT RISK**

The Foundation maintains its cash balances at several financial institutions and investment firms in the United States, which at times exceed federally insured limits. The accounts in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. In addition, excess balances are invested in daily repurchase obligations. Cash balances maintained with licensed investment and brokerage firms are also insured by the FDIC up to \$100,000, while money market funds are protected by the Securities Investor Protection Corporation (SIPC) for up to \$500,000. In addition, some of those firms provide protection in excess of SIPC to securities customers. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**C) INVESTMENTS**

Investments are comprised of investments for the Foundation purposes and funds held for others under agreements accounted for in accordance with SFAS No. 136.

**Investments with readily determinable fair values:**

Investments with readily determinable fair values are stated at fair value. A summary of these investments is as follows at December 31:

	<u>2005</u>		<u>2004</u>	
	<u>Fair Value</u>	<u>% of Total</u>	<u>Fair Value</u>	<u>% of Total</u>
Cash and cash equivalents	\$ 8,566,197	7.3	\$ 5,904,914	6.1
U.S. Treasury securities	3,015,360	2.6	3,802,286	3.9
Corporate bonds	19,023,343	16.4	22,853,788	23.5
Common stock	47,582,273	40.9	40,468,094	41.5
Limited partnership investment funds	37,875,098	32.6	24,274,501	24.9
Venture capital investment funds	<u>182,234</u>	<u>0.2</u>	<u>115,788</u>	<u>0.1</u>
	116,244,505	100.0	97,419,371	100.0
Less investments held for others	<u>16,952,875</u>		<u>14,754,618</u>	
Investments for Foundation purposes	<u>\$99,291,630</u>		<u>\$82,664,753</u>	

**Other investments:**

Other investments are comprised of various notes receivable from Vermont-based companies totalling \$1,840,000 and \$915,000 at December 31, 2005 and 2004, respectively. The principal is due to the Foundation at maturity, unless extended for another term. The notes mature at various dates ranging from March 2006 to March 2011. Interest is accrued at a variable rate currently approximating 3% and is received quarterly in arrears.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**C) INVESTMENTS (continued)**

**Total investment return:**

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	December 31, 2005		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$1,495,082	\$ 155,593	\$1,650,675
Net realized gains	2,298,359	125,629	2,423,988
Net unrealized gains	1,745,483	197,984	1,943,467
Total investment return	\$5,538,924	\$ 479,206	\$6,018,130
	December 31, 2004		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$1,159,746	\$ 114,574	\$1,274,320
Net realized gains	2,287,309	175,551	2,462,860
Net unrealized gains	4,205,018	333,529	4,538,547
Total investment return	\$7,652,073	\$ 623,654	\$8,275,727

The Foundation invests in several commingled funds and limited partnerships. Most of these funds and partnerships report income net of fees and the Foundation follows the same practice. As a result, some of the fees paid to investment managers are reflected as a reduction of investment return and not included in management and general expenses. Total investment management fees included in management and general expenses were \$139,772 in 2005 and \$118,118 in 2004.

The Foundation has contracted with a leading investment consulting firm to provide guidance on the investment strategy, investment managers and asset allocation. The fee paid to the investment consultant is based on invested assets of the Foundation. Total investment consulting fees included in management and general expenses were \$83,740 in 2005 and \$78,116 in 2004.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**D) PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2005</u>	<u>2004</u>
Real estate held for rental	\$3,763,300	\$3,753,723
Land and building	1,076,058	928,193
Office furniture and equipment	<u>334,016</u>	<u>304,529</u>
	5,173,374	4,986,445
Less accumulated depreciation	<u>788,040</u>	<u>665,159</u>
	<u>\$4,385,334</u>	<u>\$4,321,286</u>

**E) LONG-TERM DEBT**

Long-term debt consists of a note payable to the National Bank of Middlebury in monthly installments of \$2,100, including interest at 5.375% through 2008, and at the bank's base rate thereafter. The note is due December 2009 and is secured by real estate.

As of December 31, 2005, long-term debt matures as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2006	\$ 21,609
2007	22,800
2008	24,052
2009	<u>8,161</u>
	<u>\$ 76,622</u>

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**F) LIABILITY UNDER SPLIT-INTEREST AGREEMENTS**

The Foundation has entered into several charitable remainder trust and gift annuity agreements with various donors. The agreements obligate the Foundation to pay a stated return on the donor's initial investment or on the market value of the donated assets, net of payments, as determined as of the last day of the previous year, as defined in the agreements. The initial contribution and all subsequent earnings thereon are restricted for use to satisfy annuity payments until the death of the annuitant at which time all related assets become unrestricted net assets of the Foundation. The Foundation has recorded a liability for each agreement in an amount which approximates the net present value of the annuity to the donor based upon assumptions of the annuitant's mortality and a discount rate to calculate return on assets. The discount rates utilized to record the initial liability to annuitants ranged from 3.6% to 9.4% based upon the "Annuity 2000 Mortality Table". The net difference between the initial contribution and the estimated present value of the obligation is recorded as a charitable contribution. The liabilities are revalued annually for changes in assumptions, and the resulting change is charged or credited to operations as "changes in the present value of split-interest agreements liability."

The Foundation recognized contribution revenue of \$429,223 in 2005 and \$492,835 in 2004, in connection with establishing new split-interest agreements. The statements of financial position include the following amounts as of December 31:

	<u>2005</u>	<u>2004</u>
Assets held under split-interest agreements included in cash and investments	<u>\$7,737,849</u>	<u>\$6,519,188</u>
Amounts included in temporarily restricted net assets	<u>\$2,719,884</u>	<u>\$2,467,928</u>

The Foundation has also entered into certain other gift annuity agreements with donors under which the obligation to the donors has been satisfied through the purchase of commercial annuities from a qualified insurance company. The Foundation remains contingently liable for these obligations in the event of default by the insurance company.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**G) RESTRICTED NET ASSETS AND PROMISES TO GIVE**

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	<u>2005</u>	<u>2004</u>
Split-interest agreements - time restriction (see Note F)	\$2,719,886	\$2,467,928
Life insurance	85,405	-
Pledges receivable	50,256	611,280
Various child care programs	<u>227,885</u>	<u>131,859</u>
	<u>\$3,083,432</u>	<u>\$3,211,067</u>

Pledges receivable (promises to give) are due as follows:

	<u>2005</u>	<u>2004</u>
Less than one year	\$ 28,756	\$ 591,280
One to five years	<u>21,500</u>	<u>20,000</u>
	<u>\$ 50,256</u>	<u>\$ 611,280</u>

**H) SUPPORTING ORGANIZATIONS**

Net assets of the supporting organizations are as follows as of December 31:

	<u>2005</u>	<u>2004</u>
The J. Warren and Lois McClure Foundation	\$ 6,992,355	\$ 7,070,062
The Bryan Family Foundation, Inc.	6,297,125	6,019,980
The High Meadows Fund, Inc.	5,635,364	3,705,998
The Wisdom Connection, Inc.	2,293,266	2,271,372
The Antonio B. & Rita M. Pomerleau Foundation	1,729,991	2,172,342
The Permanent Fund for the Well-Being of Vermont Children	1,335,852	1,404,963
The Indian Tree Charitable Foundation	1,173,412	1,171,106
The Right Track Foundation	1,192,683	962,366
The Tarrant Supporting Organization Foundation	<u>-</u>	<u>120,237</u>
	<u>\$26,650,048</u>	<u>\$24,898,426</u>

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**I) LEASES**

The Antonio B. & Rita M. Pomerleau Foundation, a supporting organization controlled by the Foundation, owns and leases commercial property under a ten-year operating lease agreement expiring October 2008. The lease contains one ten-year renewal option. Current monthly rent is \$23,879 and increases annually by 2.3% over the previous year.

The Bryan Family Foundation, Inc., a supporting organization controlled by the Foundation, owns and leases residential and agricultural property on a month-to-month basis.

Lease income earned was \$365,729 in 2005 and \$319,430 in 2004.

Future minimum rental payments to be received under leases expiring in more than one year are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2006	\$ 287,644
2007	294,260
2008	<u>249,899</u>
	<u>\$ 831,803</u>

Following is a summary of property held for lease at December 31:

	<u>2005</u>	<u>2004</u>
Buildings and land	\$3,763,300	\$3,753,723
Less accumulated depreciation	<u>383,315</u>	<u>316,715</u>
	<u>\$3,379,985</u>	<u>\$3,437,008</u>

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**J) CONTRIBUTIONS AND GRANTS**

Amounts raised for agency endowment funds are recorded as a liability, and grants made from those funds are reported as reductions to the liability (see Note A3). The following schedule summarizes the total amounts raised and grants made in the years ended December 31:

	<u>2005</u>	<u>2004</u>
Total amount raised	\$20,213,274	\$15,484,727
Less amounts received in agency transactions	<u>2,040,325</u>	<u>1,710,699</u>
Total contributions	<u>\$18,172,949</u>	<u>\$13,774,028</u>
Total grants made and related expenses	\$ 8,612,698	\$ 8,717,522
Less grants made from funds held for others under agency transactions	<u>488,790</u>	<u>440,934</u>
Total grants expense	<u>\$ 8,123,908</u>	<u>\$ 8,276,588</u>

**K) MAJOR DONORS**

In 2005, the Foundation received a substantial portion of its contributions from two donors. Contributions for the year ended December 31, 2005, from these donors were \$3,859,700 and \$1,904,873 (21.2% and 10.5% of total contributions, respectively). There were no amounts due from these donors at December 31, 2005.

In 2004, the Foundation received a substantial portion of its contributions from two donors. Contributions for the year ended December 31, 2004, from these donors were \$4,215,500 and \$2,021,495 (30.6% and 14.7% of total contributions, respectively). Amounts due from these donors included in pledges receivable at December 31, 2004, were \$0 and \$500,000, respectively.

**THE VERMONT COMMUNITY FOUNDATION, INC.,  
AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 AND 2004**

**L) RETIREMENT PLAN**

**Retirement plan**

The Foundation has a 403(b)(7) retirement plan covering all full-time employees electing to participate. No employer contributions are allowed under the plan. The Foundation also has a simplified employee pension - individual retirement account (SEP-IRA) plan covering all employees who are 20 years of age and have completed one year of service. Contributions to the plan charged to operations totalled \$39,921 in 2005 and \$36,498 in 2004.

**Deferred compensation agreement**

In 2004, the Foundation entered into a deferred compensation agreement with its former president that requires annual payments of \$50,000 through 2009. The total charge to operations in 2004, included in "management and general expenses", and accrued at December 31, 2004, was \$250,000.