CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ALBUQUERQUE COMMUNITY FOUNDATION AND SUBSIDIARIES

December 31, 2010 and 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Albuquerque Community Foundation and Subsidiaries

We have audited the accompanying consolidated statement of financial position of the Albuquerque Community Foundation and Subsidiaries (the Foundation) as of December 31, 2010, and the related consolidated statements of activities and changes in net assets, and cash flows for the year 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 audit. The 2009 consolidated financial statements of the Albuquerque Community Foundation and Subsidiaries were audited by other auditors, whose report dated May 19, 2010, expressed an unqualified opinion on those statements.

We conducted our audit 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 consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Albuquerque Community Foundation and Subsidiaries as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
June 20, 2011

Albuquerque Community Foundation and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,361,237	$ 1,085,942
Investments	45,794,169	42,867,426
Pledge receivables	69,011	22,759
Bequests receivable	784,000	-
Donated asset	75,897	217,760
Prepaid expenses	10,049	14,257
Other assets	95,111	83,467
Beneficial interest in charitable remainder trusts	3,941,150	3,766,097
Property and equipment, net	733,153	206,679
Total assets	$ 53,863,777	$ 48,264,387

LIABILITIES AND NET ASSETS

	2010	2009
LIABILITIES		
Accounts payable and accrued expenses	$ 136,769	$ 120,067
Grants payable	13,500	-
Remainder trusts	3,558,345	3,414,851
Liability for assets held for community organizations	10,536,044	9,583,777
Total liabilities	14,244,658	13,118,695
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	17,229,489	17,088,847
Temporarily restricted	21,845,630	18,056,845
Permanently restricted	544,000	-
Total net assets	39,619,119	35,145,692
Total liabilities and net assets	$ 53,863,777	$ 48,264,387

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

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 2,014,856	$ 2,738,913	$ -	$ 4,753,769
Dividends and interest	344,773	267,902	-	612,675
Gain on investments	1,215,125	1,636,313	-	2,851,438
In-kind contributions	96,168	66,784	544,000	706,952
Other income	41,172	85,748	-	126,920
Total revenue and support	3,712,094	4,795,660	544,000	9,051,754
Net assets released from restrictions	1,006,875	(1,006,875)	-	-
EXPENSES				
Program:				
Distributions and grants	2,429,910	-	-	2,429,910
Other	1,341,413	-	-	1,341,413
Support:				
Management and general	687,102	-	-	687,102
Fundraising	119,902	-	-	119,902
Total expenses	4,578,327	-	-	4,578,327
CHANGES IN NET ASSETS	140,642	3,788,785	544,000	4,473,427
Net assets, beginning of year	17,088,847	18,056,845	-	35,145,692
Net assets, end of year	$ 17,229,489	$ 21,845,630	$ 544,000	$ 39,619,119

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

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	$ 1,870,352	$ 666,226	$ 2,536,578
Dividends and interest	282,492	176,256	458,748
Gain on investments	2,059,607	2,488,079	4,547,686
Other	82,666	-	82,666
Total revenue and support	4,295,117	3,330,561	7,625,678
Net assets released from restrictions	498,018	(498,018)	-
EXPENSES			
Program:			
Distributions and grants	2,205,430	-	2,205,430
Other	718,668	-	718,668
Support:			
Management and general	541,981	-	541,981
Fundraising	92,207	-	92,207
Total expenses	3,558,286	-	3,558,286
CHANGES IN NET ASSETS	1,234,849	2,832,543	4,067,392
Net assets, beginning of year	31,078,300	-	31,078,300
Reclassification of net assets - implementation of new accounting standard	(15,224,302)	15,224,302	-
Net assets, end of year	$ 17,088,847	$ 18,056,845	$ 35,145,692

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

Albuquerque Community Foundation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 4,473,427	$ 4,067,392
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	32,435	29,923
(Gain) on investments	(3,500,707)	(4,390,818)
(Gain) on assets held for community organizations	(1,045,885)	(1,482,450)
Change in value of split interest agreements	(31,559)	(58,999)
Donated building	(544,000)	-
Loss on sale of donated asset	8,030	-
Write down of donated asset	102,683	-
Donated stock	(133,679)	-
Donated asset	-	(217,760)
Net changes in assets and liabilities		
Bequests receivable	(784,000)	711,802
Pledge receivables	(46,252)	-
Prepaid expenses	4,208	(4,944)
Other assets	(13,344)	(16,873)
Accounts payable	16,702	73,671
Grants payable	13,500	(48,425)
Liability for assets held for community organizations	952,267	2,711,776
Net cash (used in) provided by operating activities	(496,174)	1,374,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,422,327)	(10,156,309)
Proceeds from sales of investments	9,175,855	9,119,193
Proceeds from sale of donated asset	31,150	-
Purchase of property and equipment	(13,209)	(11,899)
Sale of property and equipment	-	620
Net cash provided by (used in) investing activities	1,771,469	(1,048,395)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,275,295	325,900
Cash and cash equivalents, beginning of year	1,085,942	760,042
Cash and cash equivalents, end of year	$ 2,361,237	$ 1,085,942

SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES

Changes in remainder trusts liability	$ (143,494)	$ (323,784)

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

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization

Albuquerque Community Foundation (the Foundation) is a nonprofit, publicly supported philanthropic institution in Albuquerque, New Mexico that manages a pool of charitable funds whose income is used to benefit the community through its grants to local nonprofit organizations, educational programs, and student aid awards.

Contributions and bequests are received from individuals and corporations. The Foundation coordinates receipt and investment of charitable contributions, distributes funds for community needs, and serves as a leader and educational resource by encouraging philanthropy.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Albuquerque Community Foundation and its for-profit wholly owned subsidiaries, ACF Holdings, LLC and The Historic Champion Grocery Building, LLC. All significant intercompany balances and transactions have been eliminated.

3. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Income Tax Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an entity that is not a private foundation. Management of the Foundation believes that the activities of the Foundation are within their tax-exempt purpose.

During 2009, the Foundation adopted generally accepted accounting principles as they relate to uncertain tax positions. The Foundation does not have any uncertain tax positions for the years ended December 31, 2010 and 2009. Any interest and penalties associated with a tax position, when applicable, are classified according to their natural classification in the Foundation's financial statements. Under the statute of limitations, the Foundation's tax returns are no longer subject to examination by tax authorities for years prior to 2007.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Cash and Cash Equivalents

For purposes of the accompanying consolidated statements of cash flows, the Foundation considers all cash depository accounts and highly liquid investments with original maturities of less than 90 days to be cash equivalents. Certain money market funds within the investment in marketable securities classification are donor restricted and are not considered cash equivalents.

6. Investments

Investments in marketable securities are carried at fair value; investments in closely held businesses are carried at their estimated net realizable value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these financial statements.

7. Concentrations of Credit Risk

The Foundation maintains depository and investment accounts with various financial institutions and investment brokerage firms. Depository accounts with financial institutions are insured by the Federal Depository Insurance Corporation; insurance limits on investment accounts vary by financial institution and by type of investment. Balances in these accounts may at times, exceed federally or commercially insured limits. The Foundation has not experienced any losses on such accounts, and management believes it is not exposed to significant credit risk from these accounts.

8. Property and Equipment

Property and equipment are stated at cost. Donated property is recorded at estimated fair value as of the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets, and is allocated to each functional category based on utilization. The Foundation capitalizes all asset acquisitions over $500. Depreciation expense for December 31, 2010 and 2009 was $32,435 and $29,923, respectively. Construction in progress and land are not depreciated.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Property and Equipment – Continued

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

9. Remainder Trusts

The Foundation has been named as a beneficial recipient in several charitable remainder trusts. Under the terms of the trust agreements, the Foundation acts as the trustee. The donor has the right to change beneficiaries or the percentage allotted to the Foundation for the trusts. These are accounted for as an obligation until the trust principal reverts to the Foundation and is recorded as a contribution. Assets held in charitable remainder trusts totaled $3,094,105 in 2010 and $2,953,224 in 2009 and are reported at fair value in the Foundation's consolidated statements of financial position.

Additionally, the Foundation is the beneficiary of the residual for several other charitable remainder trusts. Assets held in these trusts totaled $847,045 in 2010 and $812,873 in 2009 and are reported at fair value in the Foundation's consolidated statements of financial position. Annually, the Foundation revalues the liability to make distributions to the designated beneficiaries based on a percentage of the fair value. The present value of the estimated future payments using discount rates ranging from 5.6%-5.8% was $521,793 in 2010 and $518,301 in 2009.

10. Contributions

Contributions received, including unconditional promises to give (pledges and bequests), are recognized at fair value as revenues in the period received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Bequests are deemed unconditional promises to give and are recognized as revenue and receivables when the probate court declares the will valid and the fair value of the Foundation's interest in the estate is determinable.

Bequests that are expected to be received within one year are recorded at their estimated net realizable value. Bequests that are expected to be received 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 discount rates applicable when the promises are received. Amortization of the discounts is included in contribution revenue. Management has not provided an allowance for doubtful unconditional promises, as they believe all such amounts are fully

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Contributions – Continued

collectible. Management evaluates the value of pledges and bequest receivables on an annual basis in order to identify any circumstances where the Foundation may receive less than what they have recorded. The Foundation has not experienced any such circumstances.

Conditional promises to give are not included as support until the conditions are substantially met. The Foundation is the beneficiary from time to time of certain bequests not yet recognized that have various levels of restriction. Associated revenue is recognized when all conditions of the promise are substantially met.

11. Liability for Assets Held for Community Organizations

Contributions are not recognized as revenue when the Foundation functions in the capacity of an intermediary, trustee or agent; in these situations, contributions are recognized as a liability for assets held for community organizations.

12. Net Assets

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles for non-profit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations or subject to the Foundation's spending policy. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted Net Assets – net assets that are subject to donor-imposed stipulations or that are subject to the Foundation's spending policy that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions. Permanently restricted net assets consist of a donated building of $544,000 at December 31, 2010. There were no permanently restricted net assets for the year ended December 31, 2009.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Donations and In-Kind Contributions

Donated cash, securities, real estate, furniture and equipment, and in-kind contributions of services are recorded as assets or contributions at their estimated fair value at date of receipt. As donations and in-kind contributions are utilized, expense is recorded. Total donation and in-kind contributions were $706,952 and $156,757 for the years ended December 31, 2010 and 2009, respectively.

14. Endowment Administration

Management fees of $443,186 and $353,059 were charged by the Foundation for administrative costs for the years ended December 31, 2010 and 2009, respectively.

15. Marketing

The Foundation uses marketing/donor development to promote its programs. Such costs are expensed as incurred. Marketing/donor development expense for the years ended December 31, 2010 and 2009 was $132,399 and $145,416, respectively.

16. Functional Expenses

The Foundation reports its expenses according to four functional classifications: Distributions and Grants, which includes the direct costs of providing benefits and services to the not for profit community; Other; Management and General; and Fundraising. Common costs are allocated among the classifications on the basis of actual direct staff resources applied to the various operational areas within the Foundation.

17. Subsequent Events

The Foundation has evaluated all events occurring subsequent to December 31, 2010 and through June 20, 2011, which is the date that the consolidated financial statements were available to be issued, and has disclosed or recognized any events occurring during this period that require either recognition or disclosure in the accompanying consolidated financial statements.

18. Reclassifications

Certain 2009 amounts have been reclassified to be consistent with the presentation of 2010 amounts.

NOTE B – PROPERTY AND EQUIPMENT

	2010	2009
Buildings	$ 544,000	$ -
Furniture and fixtures	148,105	146,405
Tenant improvements	116,119	116,119
Computer equipment	95,504	88,800
Construction-in-progress	6,505	-
	910,233	351,324
Less accumulated depreciation	(177,080)	(144,645)
Property and equipment, net	$ 733,153	$ 206,679

NOTE C – BEQUESTS RECEIVABLE

In, 2010, The Foundation received legal notification that it was named as a beneficiary of one bequest. The Foundation is not acting as trustee of the bequest. The trust assets include cash and cash equivalents; and, as of December 31, 2010, management determined an adequate estimate of the net realizable value, which is recorded as a receivable of $700,000. The Foundation received $832,000 in April 2011.

In 2009, the Foundation received legal notification that it was named as beneficiary of two bequests. The Foundation is not acting as trustee in any of the bequests. As of December 31, 2009, the Foundation had not received assets from either bequest pending finalization of the estates. Many of the assets of the two trusts are not easily valued and include property that is currently in probate. Additionally, each trust has multiple beneficiaries, and some of the beneficiaries are contesting the trust. Due to these factors, the Foundation did not record the realizable value of the bequests during 2009. In 2010, the Foundation began receiving the assets from one of the bequests. At December 31, 2010, the remaining portion of the bequest is recorded as a receivable of $84,000. The Foundation received $84,000 in March 2011. The second bequest remains unrecorded due to its uncertainty. Total bequest receivable is:

2010 Bequest receivable	$ 700,000
2009 Bequest receivable	84,000
Total	$ 784,000

NOTE D – REMAINDER TRUST ASSETS

The beneficial interest in charitable remainder trusts are comprised of the following at December 31:

	2010	2009
Cash	$ 99,838	$ 241,597
Investments	3,712,528	3,412,122
Cash surrender value of life insurance	128,784	112,378
	$ 3,941,150	$ 3,766,097

NOTE E – INVESTMENTS

The Foundation's policy is to pool cash and investments for greater investment return. Investment income (loss) and unrealized gain (loss) on investments are allocated to each charitable fund based on its share of the pool. Investments are summarized as follows:

	2010	2009
Cash	$ 555,019	$ 772,378
Domestic equity	11,417,830	9,899,029
International equity	11,476,553	9,902,918
Fixed income	7,030,796	8,370,330
Real estate	4,834,474	4,045,269
Private equity	2,325,207	1,466,763
Hedge funds	7,884,289	8,140,738
Other	270,001	270,001
	$ 45,794,169	$ 42,867,426

Investment returns consist of the following:

	2010	2009
Interest and dividends	$ 612,675	$ 458,748
Realized (losses) gains	(8,030)	3,770
Unrealized gains	2,859,468	4,543,916
	$ 3,464,113	$ 5,006,434

NOTE E – INVESTMENTS – CONTINUED

Investment consulting fees were $94,585 and $90,430 for the years ended December 31, 2010 and 2009, respectively.

The Board of Trustees of the Foundation, who is responsible for all stewardship of the Foundation, delegated to the Investment Committee the responsibility to ensure that the assets of the Foundation are managed in a manner that is consistent with the policies and objectives of the Foundation. The Investment Committee elected, as allowed by action of the Board, to engage an independent investment-consulting firm to assist the committee's activities. The Investment Committee meets at least quarterly with its investment consultant to review investment performance, asset allocation, and all other matters related to fiduciary oversight of investment assets.

Declines or increases in the fair value of investments are unrealized until the investments are sold. The Board of Trustees of the Foundation has the authority to change the level of distributions to preserve the assets of the Foundation to benefit future generations.

The Foundation holds investments in certain private equity ventures, the provisions of which call for the Foundation to commit capital to these investments as a stipulation of participation. The Foundation has committed capital to these investments of $6,750,000 and $5,250,000, of which $2,541,625 and $1,824,875 have been called and remitted as of December 31, 2010 and 2009, respectively. The remaining capital commitments of $4,208,375 and $3,425,125 are callable while the underlying funds are active. Failure to provide capital upon its call would result in the Foundation losing its right to invest in these ventures.

NOTE F – LIABILITIES FOR ASSETS HELD FOR COMMUNITY ORGANIZATIONS

The Foundation accepts assets from other non-profit organizations and agrees to use those assets and related earnings on behalf of the beneficiary organization. The Foundation's policy is to distribute 5% annually of the average twelve quarters fund balance through December 31 to beneficiaries if requested by the organization. During 2010, the Foundation amended its policy to distribute 4.5% annually as a result of the recent economic activity. Administrative fees earned by the Foundation under these arrangements were $57,743 and $52,234 for the years ended December 31, 2010 and 2009, respectively.

NOTE F – LIABILITIES FOR ASSETS HELD FOR COMMUNITY ORGANIZATIONS – CONTINUED

	2010	2009
Balance, beginning of year	$ 9,583,777	$ 6,872,001
Additions:		
Contributions	295,269	1,546,237
Investment income net of investment consulting fees of $23,984 for 2010 and $22,479 for 2009	1,021,975	1,482,450
Deductions:		
Distributions to beneficiaries	(307,234)	(264,677)
Administration fee paid to the Foundation	(57,743)	(52,234)
Balance, end of year	$ 10,536,044	$ 9,583,777

NOTE G – DONATED ASSET

In 2009, the Foundation received an unrestricted donation of common stock of a holding company of financial institutions. As of December 31, 2010 and 2009, the Foundation has recorded the common stock at its net realizable value, using the last known sales price of the stock, resulting in a $102,683 change in the recorded value at December 31, 2010. The Foundation's policy surrounding such donated assets is to place the stock for sale. Portions of the assets started selling in 2010. Subsequent to year-end, the stock was sold for $9.50 per share.

NOTE H – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

NOTE H – FAIR VALUE MEASUREMENTS – CONTINUED

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

Marketable Securities, Hedge Funds, Real Estate:

Level 1 Fair value determined using quoted prices of securities held in active markets at year-end.

Level 2 Fair value determined using quoted process for similar assets for substantially the full term through corroboration with observable market data.

Level 3 Fair value determined using unobservable inputs as determined in good faith by the investment manager of each investment.

Private Equity: Fair value determined using net realizable value as determined in good faith by the general partner in each investment.

NOTE H – FAIR VALUE MEASUREMENTS – CONTINUED

Land: Fair value determined based on comparable land values.

Remainder Trust Assets: Fair value determined using net asset value of quoted prices of securities held in active markets at year-end, as well as the present values of future cash flows, based on the Foundation's ownership percentage of the fair value of the remainder trust assets.

Remainder Trust Liability: Fair value determined as the present values of future cash outflows, based on the Foundation's ownership percentage of the fair value of the remainder trust assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets/Liabilities at Fair Value as of December 31, 2010

	Level 1	Level 2	Level 3	Total
Marketable securities	$ 28,795,148	$ 1,760,946	$ -	$ 30,556,094
Hedge funds	43,752	3,224,086	4,616,451	7,884,289
Real estate	2,696,543	1,496,552	641,380	4,834,475
Private equity	-	-	2,325,207	2,325,207
Land	-	270,001	-	270,001
Bequests receivable	784,000	-	-	784,000
Remainder trust assets	3,941,150	-	-	3,941,150
Remainder trust liabilities	(3,558,345)	-	-	(3,558,345)
	$ 32,702,248	$ 6,751,585	$ 7,583,038	$ 47,036,871

NOTE H – FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended December 31, 2010:

	Hedge Funds	Real Estate	Private Equity
Balance, beginning of year	$ 8,026,241	$ 1,859,398	$ 1,466,766
Realized and unrealized gains (losses)	429,328	278,554	234,831
Interest	-	-	-
Purchases, sales, issuances, and settlements, net	(685,778)	-	623,610
Contributions, payments, discount allowance, net	-	-	-
Transfers	(3,153,340)	(1,496,572)	-
Balance, end of year	$ 4,616,451	$ 641,380	$ 2,325,207

Assets/Liabilities at Fair Value as of December 31, 2009

	Level 1	Level 2	Level 3	Total
Marketable securities	$ 26,878,819	$ 2,065,941	$ -	$ 28,944,760
Hedge funds	88,086	26,303	8,026,241	8,140,630
Real estate	2,185,871	-	1,859,398	4,045,269
Private equity	-	-	1,466,766	1,466,766
Land	-	270,001	-	270,001
Remainder trust assets	3,766,097	-	-	3,766,097
Remainder trust liabilities	(3,414,851)	-	-	(3,414,851)
	$ 29,504,022	$ 2,362,245	$ 11,352,405	$ 43,218,672

NOTE H – FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended December 31, 2009:

	Hedge Funds	Real Estate	Private Equity
Balance, beginning of year	$ 7,481,166	$ 2,477,260	$ 975,162
Realized and unrealized gains (losses)	545,075	(632,144)	48,182
Interest	-	14,282	-
Purchases, sales, issuances, and settlements, net	-	-	458,751
Contributions, payments, discount allowance, net	-	-	(15,329)
Balance, end of year	$ 8,026,241	$ 1,859,398	$ 1,466,766

NOTE I – ENDOWMENT FUNDS

1. Net Asset Classification

In 2009, the State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Accordingly, in 2009 the Foundation adopted U.S. generally accepted accounting principles as they relate to net asset classification of funds subject to an enacted version of UPMIFA. The Board of Trustees has determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA. The Foundation is governed by the Articles of Incorporation and most contributions are received subject to the terms of the Articles of Incorporation.

Under the terms of the Articles of Incorporation, which delegates the distributions of funds to the Investment Committee in the Investment Policies and Procedures, the Board of Trustees has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. In accordance with UPMIFA and as described in the Foundation's Investment Policy, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTE I – ENDOWMENT FUNDS – CONTINUED

1. Net Asset Classification – Continued

   a. The duration and preservation of the fund.
   b. The purposes of the organization and the donor-restricted endowment fund
   c. General economic conditions
   d. The possible effect of inflation and deflation
   e. The expected total return from income and the appreciation of investments
   f. Other resources of the organization
   g. The investment policies of the organization

As a result of the ability the distribute corpus, the Board of Trustees has determined that all contributions received subject to the Articles of Incorporation, are subject to UPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Funds that can be spent down immediately and that are not subject to the Foundation's spending policy are classified as unrestricted. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement.

Generally, if the corpus of a contribution will at some future time become available for spending it is recorded as temporarily restricted, if the corpus never becomes available for spending it will be reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

During the year ended December 31, 2009, the Foundation reviewed all endowment funds and transferred to temporarily restricted net assets those that are subject to UPMIFA that were previously classified as unrestricted. During the year ended December 31, 2010, the Foundation evaluated the endowment funds and made an additional transfer from unrestricted to temporarily restricted net assets due to further understanding of the enacted law.

2. Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 8.2%, net of investment fees. Actual returns in any given year may vary from this amount.

NOTE I – ENDOWMENT FUNDS – CONTINUED

2. Endowment Investment and Spending Policies – Continued

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to distribute 4.5% of the time-weighted average balance of each fund for the previous twelve quarters. If a fund does not have historical fund balances for twelve quarters then it shall instead use the total number of historical fund balances that it has. Generally, a fund must have a minimum of four historical quarters before a distribution is made. The time-weighted average will be computed by averaging the fund's monthly ending balances, after allocation of income, gains and fees, during each quarter, and then averaging the quarter ending balances. Donor advised and organization fund agreements allow additional distributions above the 4.5%, with certain conditions as detailed in the agreements.

Endowment Net Asset Composition by Type of Fund as of December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Field of interest funds	$ -	$ 7,831,412	$ 7,831,412
Student aid funds	-	3,392,840	3,392,840
Donor designated organization funds	-	7,135,373	7,135,373
Donor advised funds	15,326,735	1,707,434	17,034,169
Undesignated donor restricted	-	171,380	171,380
	$ 15,326,735	$ 20,238,439	$ 35,565,174

NOTE I – ENDOWMENT – CONTINUED

2. Endowment Investment and Spending Policies – Continued

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	$ 15,839,668	$ 17,482,945	$ 33,322,613
Contributions	587,208	321,521	908,729
Interest and dividends	340,278	263,592	603,870
Net appreciation	1,325,899	1,605,848	2,931,747
Reclassifications	(1,696,274)	1,696,274	-
Amounts appropriated for expenditure	(1,070,044)	(1,131,741)	(2,201,785)
Change in endowment net assets	(512,933)	2,755,494	2,242,561
	$ 15,326,735	$ 20,238,439	$ 35,565,174

Endowment Net Asset Composition by Type of Fund as of December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Field of interest funds	$ -	$ 8,266,020	$ 8,266,020
Student aid funds	-	3,178,033	3,178,033
Donor designated organization funds	-	5,898,582	5,898,582
Donor advised funds	15,839,668	-	15,839,668
Undesignated donor restricted	-	140,310	140,310
	$ 15,839,668	$ 17,482,945	$ 33,322,613

Changes in Endowment Net Assets for the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	$ 29,942,989	$ -	$ 29,942,989
Contributions	361,680	313,308	674,988
Interest and dividends	280,682	176,256	456,938
Net appreciation	2,055,404	2,429,080	4,484,484
Reclassifications	(15,648,144)	15,648,144	-
Amounts appropriated for expenditure	(1,152,943)	(1,083,843)	(2,236,786)
Change in endowment net assets	(14,103,321)	17,482,945	3,379,624
	$ 15,839,668	$ 17,482,945	$ 33,322,613

NOTE J – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following purpose and time restrictions at December 31:

	2010	2009
Field of interest funds	$ 7,831,412	$ 8,280,320
Donor designated organization funds	7,149,479	5,898,582
Student aid funds	3,392,840	3,178,033
Donor advised funds	1,707,434	-
Community initiative funds	718,164	208,354
Charitable remainder trusts	382,806	351,246
Pass through funds	314,771	-
Operating fund	177,344	-
Undesignated donor restricted	171,380	140,310
	$ 21,845,630	$ 18,056,845

The following temporarily restricted net assets were released from donor restrictions by the fulfillment of program and passage of time restrictions as of December 31, 2010:

Grant distributions	$ 1,538,287
Other expenses	1,128,954
Management fees	267,257
Reclassification in net asset balances due to change in law	(1,971,883)
Investment consulting fees	44,260
	$ 1,006,875

NOTE K – COMMITMENTS AND CONTINGENCIES

1. Leases

The Foundation leases its office space and equipment. The office space lease agreement expires in January 2013 and the equipment lease agreements expire at various times through March 2014. Future minimum lease payments follow:

NOTE K – COMMITMENTS AND CONTINGENCIES – CONTINUED

1. Leases – Continued

2011	$	40,262
2012		37,828
2013		8,700
2014		474
	$	87,264

Rent expense was $24,480 for the years ended December 31, 2010 and 2009.

2. Major Contributors

For the year ended December 31, 2010, the Foundation received contributions totaling $3,151,168 from four major contributors. For the year ended December 31, 2009, the Foundation received contributions totaling $400,000 from one major contributor.

3. Simplified Employee Pension Plan

Effective July 1, 2000, the Board of Trustees established a Simple Employee Pension Plan. The Foundation's discretionary contribution to the Plan is determined by the Board of Trustees. Participants must be 21 years of age and have one year of service. Contributions to this Plan were $36,366 and $24,475 for the years ended December 31, 2010 and 2009, respectively.

NOTE L – DONATED BUILDING

During 2010, the Foundation received the donation of a building to be used for the operations of the Foundation. The building is a historic building located in Downtown Albuquerque. One-half of the building was leased to one tenant that subleased part of its space through August 2010. The building was vacated on September 1, 2010 so that remodeling could commence. The Foundation anticipates moving its operations into the building in 2012. The Foundation created a wholly-owned subsidiary, Historic Champion Grocery Building, LLC ("HCGB LLC") to hold the building. HCGB LLC is consolidated with the financial statements of the Foundation. The Foundation has entered into agreements with a developer, contractor and architect to commence the remodeling of the building. The Foundation expects to receive in-kind services in conjunction with these agreements as well as incur costs associated with the materials and labor associated with the project. As of the date of these financial statements, the total amounts to be incurred or received in kind have not been determined.

NOTE M – RELATED PARTY TRANSACTIONS

Various Board members or their companies donate to the Foundation in the form of contributions, in-kind goods or services, grants and sponsorships. The amounts are recorded at fair value on the date of donation and reflected as either unrestricted or temporarily restricted based on the nature of the gift. Donations totaled $259,105 and $184,178 at December 31, 2010 and 2009, respectively.

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