

GREATER MORGANTOWN COMMUNITY TRUST, INC.

FINANCIAL REPORT

DECEMBER 31, 2003 and 2002

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	I
FINANCIAL STATEMENTS	
Statements of financial position	1 of 7
Statements of activities	2 of 7
Statements of cash flows	3 of 7
Notes to financial statements	4-7 of 7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Morgantown Community Trust, Inc.
Morgantown, West Virginia

We have audited the accompanying statements of financial position of Greater Morgantown Community Trust, Inc. as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Greater Morgantown Community Trust, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Morgantown Community Trust, Inc. as of December 31, 2003 and 2002, 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.

Toothman Rice, P.L.L.C.

Morgantown, West Virginia
September 17, 2004

GREATER MORGANTOWN COMMUNITY TRUST, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and cash equivalents	\$ 590,699	\$ 319,392
Note receivable	-	8,000
Investments	369,801	276,510
Other assets	50	133
Total current assets	<u>960,550</u>	<u>604,035</u>
Office equipment	2,409	2,409
Less accumulated depreciation	<u>2,409</u>	<u>1,606</u>
	-	803
Agency assets	<u>1,350,115</u>	<u>1,350,000</u>
TOTAL ASSETS	<u>\$ 2,310,665</u>	<u>\$ 1,954,838</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 680	\$ -
Accrued expenses	<u>1,049</u>	<u>3,592</u>
Total current liabilities	1,729	3,592
Agency obligation	<u>1,350,115</u>	<u>1,350,000</u>
TOTAL LIABILITIES	<u>1,351,844</u>	<u>1,353,592</u>
NET ASSETS		
Unrestricted	75,193	65,900
Temporarily restricted	639,545	211,327
Permanently restricted	<u>244,083</u>	<u>324,019</u>
TOTAL NET ASSETS	<u>958,821</u>	<u>601,246</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,310,665</u>	<u>\$ 1,954,838</u>

The Notes to Financial Statements are an integral part of these statements.

GREATER MORGANTOWN COMMUNITY TRUST, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 357,575	\$ (52,624)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	803	570
Realized and unrealized (gain) loss on investments	(43,733)	78,831
Decrease in assets:		
Note receivable	8,000	-
Other assets	83	-
Increase (decrease) in liabilities:		
Accounts payable	680	-
Accrued expenses	(2,543)	3,192
Net cash provided by operating activities	<u>320,865</u>	<u>29,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(108,064)	(95,284)
Proceeds from sale of investments	<u>58,506</u>	<u>39,986</u>
Net cash (used in) investing activities	<u>(49,558)</u>	<u>(55,298)</u>
 Net increase (decrease) increase in cash	 271,307	 (25,329)
 Cash and cash equivalents		
Beginning	<u>319,392</u>	<u>344,721</u>
Ending	<u>\$ 590,699</u>	<u>\$ 319,392</u>

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Greater Morgantown Community Trust, Inc. (the Trust) was incorporated under the laws of the State of West Virginia as a nonprofit corporation on September 1, 2000, and began operations on January 1, 2001. The Trust is situated in Morgantown, West Virginia. The Trust is organized and operated exclusively for charitable or educational purposes, providing a means by which the public may establish or make gifts of various amounts to trusts or funds and provide for distribution of income and, in certain cases, principal for the educational and charitable needs of the greater Morgantown, West Virginia community. The established trusts and funds are subject to varying degrees of control by the Trust.

Significant Accounting Policies

Basis of Financial Reporting

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Trust has adopted Statement of Financial Accounting Standard (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". The Trust has also adopted SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all short-term debt instruments with an original maturity of 90 days or less to be cash equivalents.

Investments/Endowments

The Trust invests contributions in publicly traded mutual funds and corporate stocks. Investments are stated at fair market value. The Trust records donated securities at their fair market value at the date of donation. Realized and unrealized investment gains and losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or market value at the statement of financial position date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments/Endowments (Continued)

In accordance with the bylaws of the Trust and if permitted within the contribution agreement, endowment accounts created and not fully funded to \$10,000 within a three year period, are moved to the Trust's general fund and distributed for similar charitable purposes, and the endowment ceases to exist.

Office Equipment

The Trust follows a policy of capitalizing assets with useful lives of more than one year. Property and equipment is recorded at cost, except when donated by unrelated parties. Donated property, materials and equipment are recorded at fair market value at the date of donation. Depreciation is computed on the straight-line method based on the estimated useful lives. Office equipment is depreciated over three years.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Trust.

Agency Transactions

Agency transactions are transfers of assets to the Trust in which the Trust has no discretion over the use of the assets received. The donor has transferred these assets to the Trust for the ultimate benefit of a third-party beneficiary. The Trust records Agency Transactions in accordance with Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. If a nonprofit organization receives financial assets in an agent capacity, the organization is required to record an asset and a liability.

NOTE 2. INCOME TAXES

The Trust is exempt from federal taxation. The Internal Revenue Service has issued a ruling stating that the Trust qualifies as a public charity under Section 509(a)(1) of the Internal Revenue Code and, as such, is exempt from federal income taxation under Section 501(c)(3).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. CONCENTRATIONS OF CREDIT RISK

The Trust maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Trust has not experienced any losses in such accounts.

The Trust invests in publicly traded mutual funds and corporate stock, which are affected by market conditions. The Trust believes it is not exposed to any significant credit risk on its cash and investment balances.

NOTE 4. INVESTMENTS

All investments consist of equity securities and all have a readily determinable fair market value. Fair market values as of December 31, 2003 and 2002 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
2003	<u>\$ 381,315</u>	<u>\$ 369,801</u>	<u>\$ 369,801</u>
2002	<u>\$ 358,531</u>	<u>\$ 276,510</u>	<u>\$ 276,510</u>

The aggregate amount of the deficiencies for all donor-restricted endowment funds for which the fair value of the assets at the reporting date is less than the amount required to be permanently restricted have been recorded as unrestricted and total \$898 and \$75,179 as of December 31, 2003 and 2002, respectively.

Investment gains (losses) consist of realized and unrealized portions. For the years ended December 31, 2003 and 2002 the realized amounts were \$(26,486) and \$(22,868), respectively, and the unrealized amounts were \$70,219 and \$(55,963), respectively.

NOTE 5. CONTRIBUTED SERVICES

For the years ended December 31, 2003 and 2002, \$2,160 and \$1,920 of office rent expense was donated to the Trust respectively. Advertising was donated by three different community banks in the community in the form of billboard space; these amounts totaled \$0 and \$1,800 for the years ended December 31, 2003 and 2002, respectively. Also, an accounting firm contributed \$ 29,232 and \$24,855, in the form of accounting services for the years ended December 31, 2003 and 2002, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Scholarships	\$ 61,624	\$ -
Parks and recreation	136,866	128,013
Community improvement	<u>441,055</u>	<u>83,314</u>
	<u>\$ 639,545</u>	<u>\$ 211,327</u>

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is available for the following purposes:

	<u>2003</u>	<u>2002</u>
Scholarships	\$ 45,748	\$ 105,518
Parks and recreation	19,597	2,484
Community improvement	<u>178,738</u>	<u>216,017</u>
	<u>\$ 244,083</u>	<u>\$ 324,019</u>

NOTE 8. AGENCY TRANSACTION

On June 20, 2002, the Trust entered into an agreement to act as a financial conduit to purchase 67 acres of real estate. The City of Morgantown and the Board of Park and Recreation Commissioners (BOPARC) have total operational control and responsibility for this property. The Trust will realize no expenses related to this arrangement; if expenses arise they will be reimbursed by BOPARC. Ownership of the property will pass to the City of Morgantown once the debt related to the property is extinguished, and at that point the Trust will remove the asset and the corresponding obligation related to this transaction.