

GREATER MORGANTOWN COMMUNITY TRUST, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005 - 2004

Badger and Sal
Financial Consultants
Morgantown, WV

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Greater Morgantown Community Trust, Inc. as of December 31, 2005, and the related statement of activities and cash flows for the year 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 audit. The financial statements of Greater Morgantown Community Trust, Inc. as of December 31, 2004, were audited by other auditors whose report dated November 12, 2005, 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the December 31, 2005 financial statements referred to above present fairly, in all material respects, the financial position of Greater Morgantown Community Trust, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

December 1, 2006
Morgantown, West Virginia



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Financial Consultants

GREATER MORGANTOWN COMMUNITY TRUST, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31,

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 52,066	\$ 27,246
Investments	2,031,738	1,681,797
Other assets	5,160	18
Total current assets	2,088,964	1,709,061
Property and Equipment		
Building	489,697	-
Office equipment	3,782	3,782
	493,479	3,782
Less accumulated depreciation	4,861	2,546
	488,618	1,236
Agency asset	1,372,776	1,372,776
Total assets	\$ 3,950,358	\$ 3,083,073
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 9,578	\$ 1,078
Accrued expenses	2,329	2,264
Total current liabilities	11,907	3,342
Agency obligation	1,372,776	1,372,776
Net Assets		
Unrestricted	31,170	102,993
Temporarily restricted	1,045,826	1,265,667
Permanently restricted	1,488,679	338,295
Total net assets	2,565,675	1,706,955
Total liabilities and net assets	\$ 3,950,358	\$ 3,083,073

The notes are an integral part of these statements

GREATER MORGANTOWN COMMUNITY TRUST, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	<u>2005</u>	<u>2004</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND GAINS (LOSSES)		
Contributions and grants	\$ 47,631	\$ 170,127
Net realized / unrealized gains (losses) on investments	-	(5,074)
Investment income	533	1,111
Administrative fees	19,397	8,860
Total unrestricted revenues and gains	<u>67,561</u>	<u>175,024</u>
Net assets released from restrictions	319,506	102,249
Total revenues and gains	<u>387,067</u>	<u>277,273</u>
Expenses		
Program service	399,146	219,037
General and administrative	24,059	30,436
Fundraising	35,685	-
Total expenses	<u>458,890</u>	<u>249,473</u>
Increase (decrease) in unrestricted assets	<u>(71,823)</u>	<u>27,800</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	561,159	706,082
Net realized / unrealized gains (losses) on investments	6,335	(12,254)
Investment income	13,944	23,410
Net assets released from restrictions	(801,279)	(91,116)
Increase (decrease) in temporarily restricted net assets	<u>(219,841)</u>	<u>626,122</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	630,700	100,335
Net realized / unrealized gains (losses) on investments	26,683	2,334
Investment income	10,493	2,674
Net rental income (loss)	735	-
Net assets released from restrictions	481,773	(11,131)
Increase (decrease) in permanently restricted net assets	<u>1,150,384</u>	<u>94,212</u>
INCREASE IN NET ASSETS	858,720	748,134
Net assets, beginning of year	<u>1,706,955</u>	<u>958,821</u>
NET ASSETS, END OF YEAR	<u>\$ 2,565,675</u>	<u>\$ 1,706,955</u>

The notes are an integral part of these statements

GREATER MORGANTOWN COMMUNITY TRUST, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31,

	<u>2005</u>	<u>2004</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 858,720	\$ 748,134
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,315	137
Realized and unrealized (gain) loss on investments	-	14,994
Building donation	(489,697)	-
(Increase) decrease in assets:		
Other Assets	(5,142)	(32)
Increase (decrease) in liabilities:		
Accounts payable	8,500	398
Accrued expenses	65	1,215
Cash provided by operating activities	<u>374,761</u>	<u>764,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(349,941)	(1,681,677)
Proceeds from sale of investments	-	354,751
Purchase of equipment	-	(1,373)
Cash provided by (used in) investing activities	<u>(349,941)</u>	<u>(1,328,299)</u>
NET INCREASE (DECREASE) IN CASH	24,820	(563,453)
CASH, BEGINNING OF YEAR	<u>27,246</u>	<u>590,699</u>
CASH, END OF YEAR	<u>\$ 52,066</u>	<u>\$ 27,246</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 35</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The notes are an integral part of these statements

GREATER MORGANTOWN COMMUNITY TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 SGAS 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 at acquisition to proceeds at the time of disposal or market value at the statement of financial position date.

GREATER MORGANTOWN COMMUNITY TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Investments/Endowments (Cont)

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.

Property and 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, material 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. Building is depreciated over forty years and office equipment is depreciated over five years. Depreciation expense is \$2,315 (2005) and \$137 (2004).

Donated Services

Donated services are recognized as contributions in accordance with SFAS No.116, if the services (a) create or enhance nonfinancial assets of (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 Statements 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.

Investments Held in Trust as Custodian

The Trust has entered into trust and investment management agreements whereby the Trust acts as trustee. Under the terms of the trust agreements, organizations and individuals are designated as beneficiaries of either the trust income or principal. The Trust carries out the directives and exercises the powers contained in the agreements, for which it receives a fee for services rendered.

Interest Cost

All interest costs have been expensed.

Advertising Cost

All advertising costs have been expensed.

INCOME TAXES

The Trust is exempt for federal taxation. The Internal Revenue Services 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).

GREATER MORGANTOWN COMMUNITY TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

CONCENTRATIONS OF CREDIT RISK

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. 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.

INVESTMENTS

All investments consist of equity securities and all have a readily determinable fair market value. Fair market values as of December 31, 2005 and 2004, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
2005	\$ <u>1,967,963</u>	\$ <u>2,031,738</u>	\$ <u>2,031,738</u>
2004	\$ <u>1,223,987</u>	\$ <u>1,681,797</u>	\$ <u>1,681,797</u>

Investments gains (losses) consist of realized and unrealized portions. For the years ended December 31, 2005 and 2004 the realized amounts were \$(0) and \$(28,867) respectively, and the unrealized amounts were \$33,018 and \$13,873 respectively.

CONTRIBUTED SERVICES

For the years ended December 31, 2005 and 2004, \$2,160 of office rent expense was donated to the Trust. Also, an accounting firm contributed \$0 and \$22,584, in the form of accounting services for the years ended December 31, 2005 and 2004, respectively.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2005 are available for the following purposes:

Scholarships	\$ 31,921
Education	9,704
Arts and Culture	91,231
Community Development	48,281
Sports and Recreation	374,010
Health and Social Services	103,361
Unrestricted	350,464
Other	<u>36,854</u>
	<u>\$ 1,045,826</u>

GREATER MORGANTOWN COMMUNITY TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2005 are restricted to investment in perpetuity, the income of which is available for the following purposes:

Scholarships	\$ 210,390
Education	1,345
Arts and Culture	202,508
Community Development	363,995
Sports and Recreation	11,126
Health and Social Services	50,668
Unrestricted	138,737
Other	<u>509,910</u>
	<u>\$ 1,488,679</u>

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, West Virginia (the City) and the Board of Park and Recreation Commissioners (BOPARC) of the City have total operations 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.