

The Winston-Salem Foundation

Audited Combined Financial Statements

December 31, 2006 and 2005
And For The Years Then Ended



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

THE WINSTON-SALEM FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee
The Winston-Salem Foundation
Winston-Salem, North Carolina

We have audited the accompanying combined statements of assets, liabilities, and net assets (modified cash basis) of **The Winston-Salem Foundation** (the "Foundation") and affiliates as of December 31, 2006 and 2005, and the related combined statements of receipts, disbursements and changes in net assets (modified cash basis) for the year ended December 31, 2006. These financial statements are the responsibility of the Foundation'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As described in Note B to the financial statements, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined assets, liabilities and net assets of **The Winston-Salem Foundation** and affiliates at December 31, 2006 and 2005, and their combined receipts, disbursements and changes in net assets for the year ended December 31, 2006, on the basis of accounting described in Note B.

Dixon Hughes PLLC

May 16, 2007

**THE WINSTON-SALEM FOUNDATION
 COMBINED STATEMENTS OF ASSETS, LIABILITIES
 AND NET ASSETS (MODIFIED CASH BASIS)
 December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 17,828,234	\$ 60,800,216
Securities--Note C	206,117,276	151,954,707
Receivables:		
Student loans	711,127	691,317
Notes	3,665,033	3,703,033
Earnest money deposits	234,300	187,300
Assets held in trust--Note E	5,260,138	5,450,138
Investments in partnerships--Note F	13,312,401	12,864,793
Building, leasehold improvements and equipment	1,027,886	988,759
Property held for resale and construction in process	4,089,003	4,558,296
Other assets	539,873	280,551
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 252,785,271</u>	<u>\$ 241,479,110</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Amounts withheld from employees	\$ 12,909	\$ 11,336
Agency deposits	12,504,505	11,038,161
Deferred revenue--Note G	42,000	96,497
Notes payable--Note H	3,587,311	4,630,102
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>16,146,725</u>	<u>15,776,096</u>
 NET ASSETS		
Unrestricted--Note I	234,088,546	222,292,753
Temporarily restricted--Note J	2,550,000	3,410,261
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>236,638,546</u>	<u>225,703,014</u>
 COMMITMENTS--Note K		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 252,785,271</u>	<u>\$ 241,479,110</u>

THE WINSTON-SALEM FOUNDATION
COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
Year Ended December 31, 2006 and Comparative Totals for 2005

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Comparative Total
RECEIPTS				
Donations and bequests	\$ 19,164,705	\$ 6,525,780	\$ 25,690,485	\$ 59,589,458
Interest, dividends and other investment income	8,976,328	-	8,976,328	5,211,983
Fees assessed on agency deposits	93,710	-	93,710	87,846
Sale of homes and lots	613,400	-	613,400	382,487
Other receipts	354,731	-	354,731	92,511
Net assets released from restrictions	7,386,041	(7,386,041)	-	-
TOTAL RECEIPTS	36,588,915	(860,261)	35,728,654	65,364,285
DISBURSEMENTS				
Grants	31,815,452	-	31,815,452	21,480,659
Executive office operations	2,212,309	-	2,212,309	2,064,172
Trustee banks' and investment management fees	531,887	-	531,887	394,050
Brokerage fees	56,102	-	56,102	72,009
Interest expense	127,861	-	127,861	147,978
Community revitalization	828,457	-	828,457	2,507,315
Housing development	780,935	-	780,935	601,494
Other disbursements	251,263	-	251,263	190,855
TOTAL DISBURSEMENTS	36,604,266	-	36,604,266	27,458,532
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE NET REALIZED AND UNREALIZED GAINS	(15,351)	(860,261)	(875,612)	37,905,753
NET REALIZED AND UNREALIZED GAINS--Note D	11,811,144	-	11,811,144	5,785,878
INCREASE (DECREASE) IN NET ASSETS	11,795,793	(860,261)	10,935,532	43,691,631
NET ASSETS, beginning of year	222,292,753	3,410,261	225,703,014	182,011,383
NET ASSETS, end of year	\$ 234,088,546	\$ 2,550,000	\$ 236,638,546	\$ 225,703,014

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE A - ORGANIZATION

The Winston-Salem Foundation (the "Foundation"), is a publicly supported community trust established in 1919 for the receipt and distribution of charitable funds. Its assets are held in trust funds maintained by various trustees.

The Winston-Salem Foundation, Inc. was established on January 1, 1984 for the purpose of processing certain charitable receipts and distributions previously processed by the trustees and for maintaining the operations of the executive office of the Foundation.

In addition, the Foundation has relationships with two supporting organizations. The Millennium Fund is a nonprofit organization established in 2002 to address the private sector's responsibilities in dealing with the needs of the Winston-Salem community with a focus towards community development. The Partners for Homeownership, Inc. ("PFH"), formerly the Housing Partnership of Winston-Salem/Forsyth County, Inc., is a nonprofit organization that develops affordable new housing and rehabilitates existing housing for sale to area families.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Combined Financial Statement Presentation

The combined financial statements include the accounts of The Winston-Salem Foundation, The Winston-Salem Foundation, Inc., the WSF Land Holding Company, The Millennium Fund and the Partners for Homeownership, Inc., collectively referred to as the Foundation. Interentity transactions have been eliminated in combination.

Basis of Accounting

The Foundation prepares its financial statements on the basis of cash receipts and disbursements modified to record securities and other investments at fair market value and to record contributed assets when received. Under this basis, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

Agency Deposits

The Foundation's method of accounting for agency deposits conforms 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*. The statement requires a recipient organization that accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or to transfer those assets, the return on investment of those assets, or both to the donor or an affiliated beneficiary, to recognize the fair value of those assets as a liability to the beneficiary concurrent with recognition of the assets received from the donor.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

The net assets of the Foundation are classified as unrestricted or temporarily restricted.

Unrestricted net assets consist of assets, net of liabilities, related to the Foundation's regular activities, which are available at the discretion of the Winston-Salem Foundation Committee. Unrestricted amounts that are available for use in carrying out the mission of the Foundation consist of expendable resources, including funds designated for special use by the Foundation Committee and funds subject to the variance power established by the Foundation's Declaration of Trust, and unexpendable resources invested in property and equipment. Variance power provides the Foundation with the ability to modify donor stipulations that are incapable of fulfillment or inconsistent with the charitable purposes of the Foundation.

Temporarily restricted net assets represent those amounts not subject to the Foundation's variance power which are donor restricted for specific purposes. A donor's restriction is met when a stipulated time restriction ends or a special purpose is accomplished. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Other temporarily restricted net assets are transferred to unrestricted net assets as the net assets are released from restrictions.

Cash and Cash Equivalents

The Foundation considers all unrestricted, highly liquid investments with an initial maturity of 12 months or less to be cash equivalents.

At times, the Foundation maintains cash deposits with financial institutions which exceed federally insured limits. Management monitors the stability of these financial institutions and believes the Foundation's risk is negligible.

Securities

Investments in securities are stated at fair market value. Realized and unrealized gains and losses are computed based on the cost of purchased securities or the estimated fair value of donated securities at the date of receipt using the average cost method.

Building, Leasehold Improvements and Equipment

Purchased property and equipment are stated at cost. Property and equipment received as donations and bequests are stated at estimated fair values at the date of receipt by the Foundation. Property and equipment are not depreciated; however, such assets are written off when they are no longer used by, or of no further value to, the Foundation.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements requires management 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 the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from these estimates.

NOTE C - SECURITIES

Securities are presented in the combined financial statements in the aggregate at fair value. Investments as of December 31 are comprised of the following:

	2006		2005	
	Fair Value	Cost or Assigned Value	Fair Value	Cost or Assigned Value
U.S. Treasury bonds and notes	\$ 1,709,912	\$ 1,755,307	\$ 1,525,042	\$ 1,566,188
Federal agency bonds and notes	782,882	791,687	584,122	601,043
Corporate bonds and notes	980,229	1,008,326	954,026	978,245
Fixed income funds	43,854,913	43,444,637	38,209,322	37,915,259
Common stocks and equity funds	119,762,819	99,867,711	91,874,640	77,763,988
Balanced funds	11,462	10,839	3,053,940	3,099,297
Hedged funds	37,363,768	32,366,012	14,927,465	12,924,700
Other	1,651,291	1,302,749	826,150	778,057
	\$206,117,276	\$180,547,268	\$151,954,707	\$135,626,777

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE D - REALIZED AND UNREALIZED GAINS (LOSSES)

Net realized and unrealized gains (losses) on securities, assets held in trust, and partnership interests are summarized as follows:

	Year Ended December 31,			
	2006		2005	
	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)	Net Realized Gains (Losses)	Net Change in Unrealized Appreciation (Depreciation)
U.S. Treasury bonds and notes	\$ (12,356)	\$ (4,249)	\$ (1,898)	\$ (43,246)
Federal agency bonds and notes	(11,138)	8,116	(10,947)	(1,935)
Corporate bonds and notes	(920)	(3,878)	(68)	(27,784)
Fixed income funds	(163,620)	116,213	(98,644)	(949,160)
Common stocks and equity funds	3,306,810	5,784,456	7,359,182	(1,518,526)
Balanced funds	(34,789)	45,980	(58,330)	133,311
Hedged funds	11,312	2,994,991	-	1,185,191
Other securities	(44)	300,449	-	11,835
Partnership interests	-	447,608	28,044	256,063
Assets held in trust	(20,000)	-	-	-
	<u>3,075,255</u>	<u>9,689,686</u>	<u>7,217,339</u>	<u>(954,251)</u>
Less amounts related to agency deposits	<u>95,038</u>	<u>858,759</u>	<u>63,022</u>	<u>414,188</u>
	<u>\$ 2,980,217</u>	<u>\$ 8,830,927</u>	<u>\$ 7,154,317</u>	<u>\$ (1,368,439)</u>

NOTE E - ASSETS HELD IN TRUST

Assets held in trust primarily consist of community properties maintained by various occupant agencies. There were no rental income or disbursements related to these properties during the years ended December 31, 2006 and 2005, respectively.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE F - INVESTMENTS IN PARTNERSHIPS

The Foundation has been the recipient of two gifts that were ownership interests in limited partnerships. The primary purpose of these partnerships is to acquire, own, manage and sell or otherwise dispose of property for investment purposes. The Foundation shares in the profits and losses at the rate of its partnership interest which is 98 percent. The Foundation's share in the combined value of two partnerships was \$13,312,401 and \$12,864,793 as of December 31, 2006 and 2005, respectively. These amounts consisted of cash and cash equivalents of \$555,962 and \$825,975, investments in debt and equity securities of \$919,787 and \$2,102,327 and notes receivables of \$9,644,507 and \$8,165,594, plus accrued interest of \$2,192,145 and \$1,770,897 as of December 31, 2006 and 2005, respectively.

During 2003, the Foundation was gifted an interest in a limited liability company. This interest was sold in 2005 for a gain of \$28,044.

NOTE G - DEFERRED REVENUE

PFH reports deferred revenue which consists of funds received from various sources to acquire or renovate property for resale. If the properties are completed within allowable timeframes, the funds do not have to be repaid.

NOTE H - NOTES PAYABLE

PFH has the following notes payable as of December 31 each year:

	<u>2006</u>	<u>2005</u>
Non-interest bearing note payable to the City of Winston-Salem secured by deed of trust on unsold lots, matures November 2007 (Sunbridge)	\$ 98,143	\$ 181,643
Non-interest bearing note payable to the City of Winston-Salem secured by a deed of trust on unsold lots, matures February 2008 (Ridgewood Place)	1,155,190	1,396,552
Non-interest bearing note payable to the City of Winston-Salem secured by a deed of trust on homes, July 2006 maturity is being extended (Spring Street / Holly Avenue)	185,844	179,932
Non-interest bearing note payable to a bank; maturity currently being extended through 2007; unsecured	20,000	15,000

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE H - NOTES PAYABLE (CONTINUED)

	<u>2006</u>	<u>2005</u>
Non-interest bearing note payable to a bank; due January 2006; secured by a deed of trust on home (Hunter Avenue)	-	179,286
Non-interest bearing note payable to the City of Winston-Salem; October 2006 maturity is being extended; secured by a deed of trust on unsold lots (Esquire Place)	318,545	344,974
Non-interest bearing note payable to the City of Winston-Salem; secured by deed of trust maturing when home is sold (Unity)	99,888	92,715
Interest bearing note payable to a bank at 4.9%; matures in 2009; unsecured	<u>29,701</u>	-
	<u>\$ 1,907,311</u>	<u>\$ 2,390,102</u>

The Millennium Fund has the following note payable as of December 31 each year:

Note payable to bank due in annual installments of \$560,000 plus interest at a variable annual rate based on LIBOR (6.6% at December 31, 2006), secured by pledges receivable maturing July 2009	<u>\$ 1,680,000</u>	<u>\$ 2,240,000</u>
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Future maturities of notes payable are as follows as of December 31, 2006:

2007	\$ 877,089
2008	1,828,680
2009	<u>881,542</u>
	<u>\$ 3,587,311</u>

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE I - UNRESTRICTED NET ASSETS

Gifts received by the Foundation are accounted for in certain unrestricted net asset groups, which have been combined for presentation purposes as follows:

Discretionary

Represent gifts, the income from which may be distributed solely at the discretion of the Foundation Committee.

Field of Interest

Represent gifts, the income from which may be distributed to support programs operating in a specific field of interest in accordance with the donor's intent.

Scholarship

Represent gifts, the income from which may be distributed to assist students attending post-secondary educational institutions.

Student Loan

Represent gifts, the income/principal from which may be loaned to assist students attending post-secondary educational institutions. Students are required to repay these funds plus interest charged.

Donor Advised

Represent gifts, the income from which may be distributed for purposes consistent with the Foundation Committee's policies. Some funds also allow the disbursement of principal. Donors have an opportunity to make suggestions for the disbursements of these funds.

Donor Designated

Represent gifts, the income from which may be distributed to specific nonprofit organizations in accordance with the donor's intent. The Foundation Committee monitors beneficiary compliance with any fund requirements and assesses whether the funds could be used more appropriately elsewhere.

Real Estate

Represent gifts of cash and real estate titled to the Foundation for use by nonprofit organizations. The Foundation provides continuing oversight of the use and care of the property as well as responsibility for disposition should the designated use become impractical or undesirable.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE I - UNRESTRICTED NET ASSETS (CONTINUED)

Administrative

Represent gifts, investment income and management fees assessed by the Foundation on the above funds and office equipment to provide administrative support.

Unrestricted net assets reported by group classification are as follows:

	<u>2006</u>	<u>2005</u>
Discretionary	\$ 35,970,435	\$ 30,976,794
Field of interest	31,136,868	25,998,909
Scholarship	14,623,472	12,847,143
Student loan	1,640,585	1,587,669
Donor advised	90,108,627	94,506,176
Donor designated	52,576,074	48,802,464
Real estate	5,380,728	5,380,179
Administrative	2,651,757	2,193,419
	<u>\$ 234,088,546</u>	<u>\$ 222,292,753</u>

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, temporarily restricted net assets are available for the following purposes:

		<u>2006</u>	<u>2005</u>
Millennium Fund	Specific grant programs	\$ 2,550,000	\$ 3,400,000
PFH	Specific incentive loans	-	10,261
		<u>\$ 2,550,000</u>	<u>\$ 3,410,261</u>

NOTE K - COMMITMENTS

Unpaid grant commitments from endowed funds approved by The Winston-Salem Foundation Committee amounted to \$2,255,147 and \$2,714,088 as of December 31, 2006 and 2005, respectively. Unpaid grant commitments approved by the Millennium Fund's Oversight Committee amounted to \$2,833,064 and \$4,514,366 as of December 31, 2006 and 2005, respectively.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE L - EXECUTIVE OFFICE OPERATIONS

Payment of administrative expenses of the executive office of the Foundation is made from an operating fund maintained by the Winston-Salem Foundation, Inc. Funding is obtained from assessments against individual trust funds in custody of trustees and from the interest earned on The Winston-Salem Foundation, Inc's cash management accounts.

NOTE M - TAX STATUS

The Foundation and its supporting organizations have been granted tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in these combined financial statements.

NOTE N - SUMMARIZED COMPARATIVE AMOUNTS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

NOTE O - RETIREMENT PLAN

The Winston-Salem Foundation provides a defined contribution retirement plan for all full-time employees meeting certain eligibility requirements. The Foundation contributes 10% of each participant's salary to this plan annually. Participants may also make contributions to the plan through payroll deferral up to annual maximums allowed by the Internal Revenue Code. The Foundation's contributions to the plan were \$104,193 and \$101,946 during the years ended December 31, 2006 and 2005, respectively.

PFH provides a SIMPLE IRA plan for employees working in excess of 30 hours per week. Employees may contribute up to 6% of their salary and PFH will match one-half of the employee's contribution. Contributions made by PFH to the plan were \$2,000 and \$338 during the years ended December 31, 2006 and 2005, respectively.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2006 and 2005

NOTE P - DEFERRED GIFTS

The Foundation serves as trustee for several charitable remainder trusts, the assets of which are not included in the Foundation's combined financial statements. These deferred gifts represent principal held in trust for the life of a beneficiary who receives the income generated during his/her lifetime. At the death of the beneficiary, the principal earmarked for the Foundation will be recorded as an outright gift. Deferred gifts as of December 31 were as follows:

	<u>2006</u>	<u>2005</u>
Total fair value	\$ 22,803,985	\$ 20,405,288
Portion designated for the Foundation	\$ 18,792,437	\$ 16,673,786

Also, the Foundation serves as trustee for a charitable lead annuity trust and three charitable lead unitrusts, the assets of which are not included in the Foundation's combined financial statements. These deferred gifts will generate annual distributions for a specified number of years, after which time the principal will transfer to the donor's designated beneficiaries. A portion of each annual distribution is earmarked for the Foundation and will be recorded as donations and bequests upon receipt:

	Years Ended December 31,	
	<u>2006</u>	<u>2005</u>
Total disbursements	\$ 969,597	\$ 970,856
Portion designated for the Foundation	\$ 418,710	\$ 386,218
Total market value	\$ 20,868,394	\$ 19,071,428
Estimated remaining distributions	\$ 12,109,765	\$ 12,923,637
Portion designated for the Foundation	\$ 5,625,802	\$ 6,023,893
Estimated present value of remaining distributions at a 4.8% discount rate (4.5% rate used for 2005)	\$ 8,799,232	\$ 9,392,166
Portion designated for the Foundation	\$ 4,062,572	\$ 4,348,543

NOTE Q - RECLASSIFICATIONS

Certain amounts from the 2005 financial statements have been reclassified to conform to the 2006 classifications. Such reclassifications have had no effect on the net asset balances as previously reported.

OTHER FINANCIAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON OTHER FINANCIAL INFORMATION**

To the Audit Committee
The Winston-Salem Foundation
Winston-Salem, North Carolina

Our report on our audits of the basic combined financial statements of the **The Winston-Salem Foundation** and affiliates as of December 31, 2006 and 2005 and for the year ended December 31, 2006 appears on page 1. Those audits were conducted for the purpose of forming an opinion on such combined financial statements taken as a whole. The following combining financial information is presented for purposes of additional analysis and is not intended to present the financial position and results of operations of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements as of December 31, 2006 and 2005 and the year ended December 31, 2006, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of receipts, disbursements and changes in net assets (modified cash basis) for the year ended December 31, 2005 (which is not presented herein), and we expressed an unqualified opinion on this financial statement. In our opinion, the 2005 combining schedule of receipts, disbursements and changes in net assets (modified cash basis) presented on page 18 is fairly stated in all material respects in relation to the basic combined financial statement from which it has been derived.

Dixon Hughes PLLC

May 16, 2007

THE WINSTON-SALEM FOUNDATION
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS (MODIFIED CASH BASIS)
December 31, 2006

	Winston-Salem Foundation Combined	The Millennium Fund	Partners for Home Ownership	Total	Combination Adjustments	Combined
ASSETS						
Cash and cash equivalents	\$ 17,775,890	\$ 5,468,262	\$ 31,038	\$ 23,275,190	\$ (5,446,956)	\$ 17,828,234
Securities	206,117,276	-	-	206,117,276	-	206,117,276
Receivables:						
Student loans	711,127	-	-	711,127	-	711,127
Notes	145,033	3,500,000	20,000	3,665,033	-	3,665,033
Earnest money deposits	-	196,800	37,500	234,300	-	234,300
Assets held in trust	5,260,138	-	-	5,260,138	-	5,260,138
Investments in partnerships	13,312,401	-	-	13,312,401	-	13,312,401
Building, leasehold improvements and equipment	1,024,525	-	3,361	1,027,886	-	1,027,886
Property held for resale and construction in process	-	2,082,267	2,006,736	4,089,003	-	4,089,003
Other assets	539,863	196	10	540,069	(196)	539,873
TOTAL ASSETS	\$ 244,886,253	\$ 11,247,525	\$ 2,098,645	\$ 258,232,423	\$ (5,447,152)	\$ 252,785,271
LIABILITIES AND NET ASSETS						
LIABILITIES						
Amounts withheld from employees	\$ 6,330	\$ -	\$ 6,579	\$ 12,909	\$ -	\$ 12,909
Agency deposits	17,958,052	-	-	17,958,052	(5,453,547)	12,504,505
Deferred revenue	-	-	68,000	68,000	(26,000)	42,000
Notes payable	-	1,680,000	1,907,311	3,587,311	-	3,587,311
TOTAL LIABILITIES	17,964,382	1,680,000	1,981,890	21,626,272	(5,479,547)	16,146,725
NET ASSETS						
Unrestricted	226,921,871	7,017,525	116,755	234,056,151	32,395	234,088,546
Temporarily restricted	-	2,550,000	-	2,550,000	-	2,550,000
TOTAL NET ASSETS	226,921,871	9,567,525	116,755	236,606,151	32,395	236,638,546
TOTAL LIABILITIES AND NET ASSETS	\$ 244,886,253	\$ 11,247,525	\$ 2,098,645	\$ 258,232,423	\$ (5,447,152)	\$ 252,785,271

THE WINSTON-SALEM FOUNDATION
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS (MODIFIED CASH BASIS)
December 31, 2005

	Winston-Salem Foundation Combined	The Millennium Fund	Partners for Home Ownership	Total	Combination Adjustments	Combined
ASSETS						
Cash and cash equivalents	\$ 60,783,552	\$ 7,102,407	\$ 18,187	\$ 67,904,146	\$ (7,103,930)	\$ 60,800,216
Securities	151,954,707	-	-	151,954,707	-	151,954,707
Receivables:						
Student loans	691,317	-	-	691,317	-	691,317
Notes	145,033	3,500,000	58,000	3,703,033	-	3,703,033
Earnest money deposits	-	172,300	15,000	187,300	-	187,300
Assets held in trust	5,450,138	-	-	5,450,138	-	5,450,138
Investments in partnerships	12,864,793	-	-	12,864,793	-	12,864,793
Building, leasehold improvements and equipment	984,862	-	3,897	988,759	-	988,759
Property held for resale and construction in process	-	2,082,267	2,476,029	4,558,296	-	4,558,296
Other assets	269,872	196	10,679	280,747	(196)	280,551
TOTAL ASSETS	\$ 233,144,274	\$ 12,857,170	\$ 2,581,792	\$ 248,583,236	\$ (7,104,126)	\$ 241,479,110
LIABILITIES AND NET ASSETS						
LIABILITIES						
Amounts withheld from employees	\$ 5,292	\$ -	\$ 6,044	\$ 11,336	\$ -	\$ 11,336
Agency deposits	18,140,555	-	-	18,140,555	(7,102,394)	11,038,161
Deferred revenue	-	-	122,497	122,497	(26,000)	96,497
Notes payable	-	2,240,000	2,390,102	4,630,102	-	4,630,102
TOTAL LIABILITIES	18,145,847	2,240,000	2,518,643	22,904,490	(7,128,394)	15,776,096
NET ASSETS						
Unrestricted	214,998,427	7,217,170	52,888	222,268,485	24,268	222,292,753
Temporarily restricted	-	3,400,000	10,261	3,410,261	-	3,410,261
TOTAL NET ASSETS	214,998,427	10,617,170	63,149	225,678,746	24,268	225,703,014
TOTAL LIABILITIES AND NET ASSETS	\$ 233,144,274	\$ 12,857,170	\$ 2,581,792	\$ 248,583,236	\$ (7,104,126)	\$ 241,479,110

THE WINSTON-SALEM FOUNDATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
Year Ended December 31, 2006

	Winston-Salem Foundation Combined	The Millennium Fund	Partners for Home Ownership	Total	Combination Adjustments	Combined
RECEIPTS						
Donations and bequests	\$ 24,170,385	\$ 1,516,331	\$ 288,267	\$ 25,974,983	\$ (284,498)	\$ 25,690,485
Interest, dividends and other investment income	8,693,751	278,986	3,640	8,976,377	(49)	8,976,328
Fees assessed on agency deposits	93,710	-	-	93,710	-	93,710
Sale of homes and lots	-	-	613,400	613,400	-	613,400
Other receipts	299,870	11,702	43,159	354,731	-	354,731
TOTAL RECEIPTS	33,257,716	1,807,019	948,466	36,013,201	(284,547)	35,728,654
DISBURSEMENTS						
Grants	30,231,724	1,876,402	-	32,108,126	(292,674)	31,815,452
Executive office operations	2,086,990	11,394	113,925	2,212,309	-	2,212,309
Trustee banks' and investment management fees	531,887	-	-	531,887	-	531,887
Brokerage fees	56,102	-	-	56,102	-	56,102
Interest expense	-	127,861	-	127,861	-	127,861
Community revitalization	-	828,457	-	828,457	-	828,457
Housing development	-	-	780,935	780,935	-	780,935
Other disbursements	238,713	12,550	-	251,263	-	251,263
TOTAL DISBURSEMENTS	33,145,416	2,856,664	894,860	36,896,940	(292,674)	36,604,266
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE NET REALIZED AND UNREALIZED GAINS						
	112,300	(1,049,645)	53,606	(883,739)	8,127	(875,612)
NET REALIZED AND UNREALIZED GAINS	11,811,144	-	-	11,811,144	-	11,811,144
INCREASE (DECREASE) IN NET ASSETS	11,923,444	(1,049,645)	53,606	10,927,405	8,127	10,935,532
NET ASSETS, beginning of year	214,998,427	10,617,170	63,149	225,678,746	24,268	225,703,014
NET ASSETS, end of year	\$ 226,921,871	\$ 9,567,525	\$ 116,755	\$ 236,606,151	\$ 32,395	\$ 236,638,546

THE WINSTON-SALEM FOUNDATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
Year Ended December 31, 2005

	Winston-Salem Foundation Combined	The Millennium Fund	Partners for Home Ownership	Total	Combination Adjustments	Combined
RECEIPTS						
Donations and bequests	\$ 52,410,181	\$ 7,258,448	\$ 162,379	\$ 59,831,008	\$ (241,550)	\$ 59,589,458
Interest, dividends and other investment income	4,972,851	238,912	259	5,212,022	(39)	5,211,983
Fees assessed on agency deposits	87,846	-	-	87,846	-	87,846
Sale of homes and lots	-	-	382,487	382,487	-	382,487
Other receipts	58,968	-	33,543	92,511	-	92,511
TOTAL RECEIPTS	57,529,846	7,497,360	578,668	65,605,874	(241,589)	65,364,285
DISBURSEMENTS						
Grants	20,356,664	1,337,878	-	21,694,542	(213,883)	21,480,659
Executive office operations	1,962,414	33,655	68,103	2,064,172	-	2,064,172
Trustee banks' and investment management fees	394,050	-	-	394,050	-	394,050
Brokerage fees	72,009	-	-	72,009	-	72,009
Interest expense	-	147,978	-	147,978	-	147,978
Community revitalization	-	2,507,315	-	2,507,315	-	2,507,315
Housing development	-	-	601,494	601,494	-	601,494
Other disbursements	143,721	55,567	(8,433)	190,855	-	190,855
TOTAL DISBURSEMENTS	22,928,858	4,082,393	661,164	27,672,415	(213,883)	27,458,532
RECIPTS OVER (UNDER) DISBURSEMENTS BEFORE NET REALIZED AND UNREALIZED GAINS						
	34,600,988	3,414,967	(82,496)	37,933,459	(27,706)	37,905,753
NET REALIZED AND UNREALIZED GAINS	5,785,878	-	-	5,785,878	-	5,785,878
INCREASE (DECREASE) IN NET ASSETS	40,386,866	3,414,967	(82,496)	43,719,337	(27,706)	43,691,631
NET ASSETS, beginning of year	174,611,561	7,202,203	145,645	181,959,409	51,974	182,011,383
NET ASSETS, end of year	\$ 214,998,427	\$ 10,617,170	\$ 63,149	\$ 225,678,746	\$ 24,268	\$ 225,703,014