

The Winston-Salem Foundation

Audited Combined Financial Statements

December 31, 2007 and 2006
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 supporting organizations as of December 31, 2007 and 2006, and the related combined statement of receipts, disbursements and changes in net assets (modified cash basis) for the year ended December 31, 2007. 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 combined 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 combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note B to the combined financial statements, these combined 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 combined financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **The Winston-Salem Foundation** and supporting organizations at December 31, 2007 and 2006, and their receipts, disbursements and changes in net assets for the year ended December 31, 2007, on the basis of accounting described in Note B.

Dixon Hughes PLLC

April 20, 2008

**THE WINSTON-SALEM FOUNDATION
COMBINED STATEMENTS OF ASSETS, LIABILITIES
AND NET ASSETS (MODIFIED CASH BASIS)
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 15,618,765	\$ 16,528,564
Certificates of deposit	1,013,843	1,428,294
Securities--Note C	210,726,239	205,988,652
Receivables:		
Student loans	852,448	711,127
Notes	3,645,033	3,665,033
Earnest money deposits	227,300	234,300
Assets held in trust--Note E	4,133,212	5,260,138
Investments in partnerships--Note F	13,630,987	13,312,401
Building, leasehold improvements and equipment	1,030,493	1,027,886
Property held for resale and construction in process	1,940,731	4,089,003
Other assets	616,256	539,873
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 253,435,307</u>	<u>\$ 252,785,271</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Amounts withheld from employees	\$ 9,073	\$ 12,909
Agency deposits	12,907,923	12,504,505
Deferred revenue--Note G	15,100	42,000
Notes payable--Note H	2,933,776	3,587,311
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>15,865,872</u>	<u>16,146,725</u>
NET ASSETS		
Unrestricted--Note I	235,669,435	234,088,546
Temporarily restricted--Note J	1,900,000	2,550,000
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>237,569,435</u>	<u>236,638,546</u>
COMMITMENTS--Note K		
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 253,435,307</u>	<u>\$ 252,785,271</u>

THE WINSTON-SALEM FOUNDATION
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
Year Ended December 31, 2007 and Comparative Totals for 2006

	2007			2006 Comparative Totals
	Unrestricted	Temporarily Restricted	Total	
RECEIPTS				
Donations and bequests	\$ 10,883,474	\$ 6,736,041	\$ 17,619,515	\$ 25,690,485
Interest, dividends and other investment income	9,647,609	-	9,647,609	8,976,328
Fees assessed on agency deposits	103,585	-	103,585	93,710
Sale of homes and lots	346,892	-	346,892	613,400
Other receipts	172,156	-	172,156	354,731
Net assets released from restrictions	7,386,041	(7,386,041)	-	-
TOTAL RECEIPTS	<u>28,539,757</u>	<u>(650,000)</u>	<u>27,889,757</u>	<u>35,728,654</u>
DISBURSEMENTS				
Grants	31,356,354	-	31,356,354	31,815,452
Executive office operations	2,633,644	-	2,633,644	2,212,309
Trustee banks' and investment management fees	681,598	-	681,598	531,887
Brokerage fees	41,821	-	41,821	56,102
Interest expense	111,763	-	111,763	127,861
Community revitalization	50,472	-	50,472	828,457
Housing development	462,190	-	462,190	780,935
Other disbursements	165,349	-	165,349	251,263
TOTAL DISBURSEMENTS	<u>35,503,191</u>	<u>-</u>	<u>35,503,191</u>	<u>36,604,266</u>
RECEIPTS UNDER DISBURSEMENTS BEFORE NET REALIZED AND UNREALIZED GAINS	<u>(6,963,434)</u>	<u>(650,000)</u>	<u>(7,613,434)</u>	<u>(875,612)</u>
NET REALIZED AND UNREALIZED GAINS--Note D	<u>8,544,323</u>	<u>-</u>	<u>8,544,323</u>	<u>11,811,144</u>
INCREASE (DECREASE) IN NET ASSETS	<u>1,580,889</u>	<u>(650,000)</u>	<u>930,889</u>	<u>10,935,532</u>
NET ASSETS, beginning of year	<u>234,088,546</u>	<u>2,550,000</u>	<u>236,638,546</u>	<u>225,703,014</u>
NET ASSETS, end of year	<u>\$ 235,669,435</u>	<u>\$ 1,900,000</u>	<u>\$ 237,569,435</u>	<u>\$ 236,638,546</u>

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

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") 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 or, in the case of deferred gifts received, when the Foundation has the right to use those assets to meet its charitable purpose. 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, 2007 and 2006

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 three 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.

Certificates of Deposit

Certificates of deposit include cash invested in instruments with an initial maturity in excess of three months.

Securities

Investments in securities are stated at fair market value. Realized and unrealized gains or 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.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Loans and Notes Receivable

Student loans and notes receivable are evaluated periodically for collectibility by management. Amounts deemed ultimately uncollectible are charged to disbursements in the period such determination is made.

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.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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

	2007		2006	
	Fair Value	Cost or Assigned Value	Fair Value	Cost or Assigned Value
U.S. Treasury bonds and notes	\$ 1,630,964	\$ 1,612,241	\$ 1,709,912	\$ 1,755,307
Federal agency bonds and notes	838,564	825,160	782,882	791,687
Corporate bonds and notes	1,088,069	1,103,584	980,229	1,008,326
Fixed income funds	40,531,895	40,101,971	43,854,913	43,444,637
Common stocks and equity funds	125,525,599	115,379,539	119,762,819	99,867,711
Balanced funds	12,032	11,343	11,462	10,839
Hedged funds	40,347,479	32,230,000	37,363,768	32,366,012
Other	751,637	838,627	1,522,667	1,174,125
	\$210,726,239	\$192,102,465	\$205,988,652	\$180,418,644

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

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,			
	2007		2006	
	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	\$ (1,683)	\$ 64,118	\$ (12,356)	\$ (4,249)
Federal agency bonds and notes	(1,091)	22,209	(11,138)	8,116
Corporate bonds and notes	692	12,582	(920)	(3,878)
Fixed income funds	170,878	19,648	(163,620)	116,213
Common stocks and equity funds	14,141,868	(9,749,048)	3,306,810	5,784,456
Balanced funds	-	66	(34,789)	45,980
Hedged funds	180,533	3,119,723	11,312	2,994,991
Other securities	259,697	(435,532)	(44)	300,449
Partnership interests	-	318,586	-	447,608
Assets held in trust	1,417,628	-	(20,000)	-
Property held for resale	(459,964)	-	-	-
	<u>15,708,558</u>	<u>(6,627,648)</u>	<u>3,075,255</u>	<u>9,689,686</u>
Less amounts related to agency deposits	<u>169,786</u>	<u>366,801</u>	<u>95,038</u>	<u>858,759</u>
	<u>\$ 15,538,772</u>	<u>\$ (6,994,449)</u>	<u>\$ 2,980,217</u>	<u>\$ 8,830,927</u>

NOTE E - ASSETS HELD IN TRUST

Assets held in trust primarily consist of community properties maintained by various occupant agencies. There was no rental income or disbursements related to these properties during the years ended December 31, 2007 and 2006, respectively.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

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 \$13,630,987 and \$13,312,401 as of December 31, 2007 and 2006, respectively. These amounts consisted of cash and cash equivalents of \$112,174 and \$555,962, investments in debt and equity securities of \$524,545 and \$919,787, and notes receivable of \$10,323,413 and \$9,644,507, plus accrued interest of \$2,670,855 and \$2,192,145 as of December 31, 2007 and 2006, respectively.

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>2007</u>	<u>2006</u>
Non-interest bearing note payable to the City of Winston-Salem secured by deed of trust on unsold lots, November 2007 maturity is being extended (Sunbridge)	\$ 99,636	\$ 98,143
Non-interest bearing note payable to the City of Winston-Salem secured by a deed of trust on unsold lots, matures February 2011 (Ridgewood Place)	1,002,280	1,155,190
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)	290,518	185,844
Non-interest bearing note payable to a bank; maturity currently being extended through 2008; unsecured	20,000	20,000

THE WINSTON-SALEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

NOTE H - NOTES PAYABLE (CONTINUED)

	<u>2007</u>	<u>2006</u>
Non-interest bearing note payable to the City of Winston-Salem secured by a deed of trust on unsold lots; October 2006 maturity is being extended (Esquire Place)	299,432	318,545
Non-interest bearing note payable to the City of Winston-Salem secured by deed of trust; matures when home is sold (Unity)	-	99,888
Unsecured note payable to a bank due in monthly installments of \$1,205 including interest at 4.9%; matures in February 2009	15,362	29,701
Non-interest bearing note payable to the City of Winston-Salem secured by deed of trust; matures when home is sold (Ivy Street)	86,548	-
	<u>\$ 1,813,776</u>	<u>\$ 1,907,311</u>

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

Note payable to a bank due in annual installments of \$560,000 plus interest at a variable annual rate based on LIBOR (6.095% at December 31, 2007); secured by pledges receivable; matures in July 2009	<u>\$ 1,120,000</u>	<u>\$ 1,680,000</u>
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Future maturities of notes payable are as follows as of December 31, 2007:

2008	\$ 1,370,093
2009	561,403
2010	-
2011	<u>1,002,280</u>
	<u>\$ 2,933,776</u>

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

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, 2007 and 2006

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>2007</u>	<u>2006</u>
Discretionary	\$ 37,216,702	\$ 35,970,435
Field of interest	29,000,725	31,136,868
Scholarship	16,039,037	14,623,472
Student loan	1,744,453	1,640,585
Donor advised	88,167,393	90,108,627
Donor designated	56,155,032	52,576,074
Real estate	4,221,279	5,380,728
Administrative	3,124,814	2,651,757
	<u>\$235,669,435</u>	<u>\$234,088,546</u>

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Millennium Fund		
Specific grant programs	<u>\$ 1,900,000</u>	<u>\$ 2,550,000</u>

NOTE K - COMMITMENTS

Unpaid grant commitments from endowed funds approved by The Winston-Salem Foundation Committee amounted to \$2,307,637 and \$2,255,147 as of December 31, 2007 and 2006, respectively. Unpaid grant commitments approved by the Millennium Fund's Oversight Committee amounted to \$1,483,064 and \$2,833,064 as of December 31, 2007 and 2006, respectively.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

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, 2006, 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 \$104,375 and \$104,193 during the years ended December 31, 2007 and 2006, 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 \$2,075 and \$2,000 during the years ended December 31, 2007 and 2006, respectively.

THE WINSTON-SALEM FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)
December 31, 2007 and 2006

NOTE P - DEFERRED GIFTS

In 1997, the Foundation was the recipient of a gift of land in which the donor retained a life interest to use the property. At the date of the gift, the fair market value of this property was \$1,316,000. Upon the death of the donor, the Foundation will recognize this gift as revenue at the fair market value as of that date. During 2007, the donor gifted the life interest in a portion of the property which was subsequently sold by the Foundation for \$84,320.

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>2007</u>	<u>2006</u>
Total fair value	\$ 32,479,896	\$ 22,803,985
Portion designated for the Foundation	\$ 28,336,972	\$ 18,792,437

Also, the Foundation serves as trustee for two charitable lead annuity trusts 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>2007</u>	<u>2006</u>
Total disbursements	\$ 991,942	\$ 969,597
Portion designated for the Foundation	\$ 462,514	\$ 418,710
Total market value	\$ 18,212,699	\$ 20,868,394
Estimated remaining distributions	\$ 10,997,780	\$ 12,109,765
Estimated portion designated for the Foundation	\$ 5,147,570	\$ 5,625,802
Estimated present value of remaining distributions at a 4.3% discount rate (4.8% rate used for 2006)	\$ 8,381,641	\$ 8,799,232
Estimated portion designated for the Foundation	\$ 3,899,721	\$ 4,062,572

OTHER FINANCIAL INFORMATION



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

**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 Winston-Salem Foundation** and supporting organizations as of December 31, 2007 and 2006 and for the year ended December 31, 2007 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 on pages 15 through 17 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, 2007 and 2006 and the year ended December 31, 2007, 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, 2006 (which is not presented herein), and we expressed an unqualified opinion on this financial statement. In our opinion, the 2006 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

April 20, 2008

THE WINSTON-SALEM FOUNDATION
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS (MODIFIED CASH BASIS)
December 31, 2007

	Winston-Salem Foundation Combined	The Millennium Fund	Partners for Home Ownership	Total	Combination Adjustments	Combined
ASSETS						
Cash and cash equivalents	\$15,565,993	\$ 5,774,119	\$ 11,221	\$ 21,351,333	\$ (5,732,568)	\$ 15,618,765
Certificates of deposit	1,013,843	-	-	1,013,843	-	1,013,843
Securities	210,726,239	-	-	210,726,239	-	210,726,239
Receivables:						
Student loans	852,448	-	-	852,448	-	852,448
Notes	145,033	3,500,000	-	3,645,033	-	3,645,033
Earnest money deposits	-	212,300	15,000	227,300	-	227,300
Assets held in trust	4,133,212	-	-	4,133,212	-	4,133,212
Investments in partnerships	13,630,987	-	-	13,630,987	-	13,630,987
Building, leasehold improvements and equipment	1,022,729	-	7,764	1,030,493	-	1,030,493
Property held for resale and construction in process	-	-	1,940,731	1,940,731	-	1,940,731
Other assets	615,846	-	410	616,256	-	616,256
TOTAL ASSETS	\$247,706,330	\$ 9,486,419	\$ 1,975,126	\$259,167,875	\$ (5,732,568)	\$253,435,307
LIABILITIES AND NET ASSETS						
LIABILITIES						
Amounts withheld from employees	\$ 4,547	\$ -	\$ 4,526	\$ 9,073	\$ -	\$ 9,073
Agency deposits	18,640,491	-	-	18,640,491	(5,732,568)	12,907,923
Deferred revenue	-	-	15,100	15,100	-	15,100
Notes payable	-	1,120,000	1,813,776	2,933,776	-	2,933,776
TOTAL LIABILITIES	18,645,038	1,120,000	1,833,402	21,598,440	(5,732,568)	15,865,872
NET ASSETS						
Unrestricted	229,061,292	6,466,419	141,724	235,669,435	-	235,669,435
Temporarily restricted	-	1,900,000	-	1,900,000	-	1,900,000
TOTAL NET ASSETS	229,061,292	8,366,419	141,724	237,569,435	-	237,569,435
TOTAL LIABILITIES AND NET ASSETS	\$247,706,330	\$ 9,486,419	\$ 1,975,126	\$259,167,875	\$ (5,732,568)	\$253,435,307

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	\$ 16,476,220	\$ 5,468,262	\$ 31,038	\$ 21,975,520	\$ (5,446,956)	\$ 16,528,564
Certificates of deposit	1,428,294	-	-	1,428,294	-	1,428,294
Securities	205,988,652	-	-	205,988,652	-	205,988,652
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 RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
Year Ended December 31, 2007

	Winston-Salem Foundation Combined	The Millennium Fund	Partners for Home Ownership	Total	Combination Adjustments	Combined
RECEIPTS						
Donations and bequests	\$ 17,007,159	\$ 688,502	\$ 221,873	\$ 17,917,534	\$ (298,019)	\$ 17,619,515
Interest, dividends and other investment income	9,368,595	275,398	3,616	9,647,609	-	9,647,609
Fees assessed on agency deposits	103,585	-	-	103,585	-	103,585
Sale of homes and lots	-	-	346,892	346,892	-	346,892
Other receipts	79,883	26,720	65,553	172,156	-	172,156
TOTAL RECEIPTS	26,559,222	990,620	637,934	28,187,776	(298,019)	27,889,757
DISBURSEMENTS						
Grants	30,096,978	1,525,000	-	31,621,978	(265,624)	31,356,354
Executive office operations	2,445,760	37,109	150,775	2,633,644	-	2,633,644
Trustee banks' and investment management fees	681,598	-	-	681,598	-	681,598
Brokerage fees	41,821	-	-	41,821	-	41,821
Interest expense	-	111,763	-	111,763	-	111,763
Community revitalization	-	50,472	-	50,472	-	50,472
Housing development	-	-	462,190	462,190	-	462,190
Other disbursements	157,931	7,418	-	165,349	-	165,349
TOTAL DISBURSEMENTS	33,424,088	1,731,762	612,965	35,768,815	(265,624)	35,503,191
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE NET REALIZED AND UNREALIZED GAINS (LOSSES)	(6,864,866)	(741,142)	24,969	(7,581,039)	(32,395)	(7,613,434)
NET REALIZED AND UNREALIZED GAINS (LOSSES)	9,004,287	(459,964)	-	8,544,323	-	8,544,323
INCREASE (DECREASE) IN NET ASSETS	2,139,421	(1,201,106)	24,969	963,284	(32,395)	930,889
NET ASSETS, beginning of year	226,921,871	9,567,525	116,755	236,606,151	32,395	236,638,546
NET ASSETS, end of year	\$229,061,292	\$ 8,366,419	\$ 141,724	\$237,569,435	\$ -	\$237,569,435

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 (LOSSES)	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