

LUBBOCK AREA FOUNDATION, INC.

LUBBOCK, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2008

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

LUBBOCK AREA FOUNDATION, INC.

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FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2008

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FOR THE YEAR ENDED DECEMBER 31, 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lubbock Area Foundation, Inc.
Lubbock, Texas

We have audited the accompanying statement of financial position of Lubbock Area Foundation, Inc. as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. 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 audit.

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 financial statements referred to above present fairly, in all material respects, the financial position of Lubbock Area Foundation, Inc. as of December 31, 2008, 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas
July 21, 2009

LUBBOCK AREA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
WITH COMPARATIVE TOTALS FOR 2007

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Cash Equivalents	\$ 450,756	\$ 354,366
Certificates of Deposit	100,000	100,000
Investments - Marketable Securities	17,049,847	21,416,524
Equipment and Furnishings at Cost Less Accumulated Depreciation of \$13,166 in 2008 and \$11,833 in 2007	<u>6,738</u>	<u>6,176</u>
Total Assets	<u>\$ 17,607,341</u>	<u>\$ 21,877,066</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Funds Held as Agency Endowments	<u>\$ 990,341</u>	<u>\$ 1,192,630</u>
Net Assets		
Unrestricted	\$ 16,408,000	\$ 20,516,436
Temporarily Restricted	<u>209,000</u>	<u>168,000</u>
	<u>\$ 16,617,000</u>	<u>\$ 20,684,436</u>
Total Liabilities and Net Assets	<u>\$ 17,607,341</u>	<u>\$ 21,877,066</u>

See accompanying notes to financial statements.

LUBBOCK AREA FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE TOTALS FOR 2007

	Unrestricted	Temporarily Restricted	December 31,	
			2008	2007
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 464,322	\$ 100,000	\$ 564,322	\$ 563,641
Interest and Dividend Income	622,203		622,203	660,246
Investments Realized Net Gains (Losses)	(1,467,101)		(1,467,101)	2,523,555
Investments Unrealized Net (Losses)	(2,663,149)		(2,663,149)	(2,279,262)
Grants	37,300		37,300	32,300
Other Income	15,681		15,681	17,540
Total Current Year	\$ (2,990,744)	\$ 100,000	\$ (2,890,744)	\$ 1,518,020
Funds Released from Restriction				
Prior Year CH Foundation Grant	\$ 59,000	\$ (59,000)	\$ 0	\$ 0
Total	\$ (2,931,744)	\$ 41,000	\$ (2,890,744)	\$ 1,518,020
EXPENSES				
Grants and Scholarships	\$ 730,799	\$	\$ 730,799	\$ 801,613
Other Program Expenses	224,699		224,699	215,384
Fund Raising	174,450		174,450	137,481
Administrative and General	46,744		46,744	35,050
Total	\$ 1,176,692	\$ 0	\$ 1,176,692	\$ 1,189,528
INCREASE (DECREASE) IN NET ASSETS	\$ (4,108,436)	\$ 41,000	\$ (4,067,436)	\$ 328,492
NET ASSETS AT BEGINNING OF YEAR	20,516,436	168,000	20,684,436	20,355,944
NET ASSETS AT END OF YEAR	\$ 16,408,000	\$ 209,000	\$ 16,617,000	\$ 20,684,436

See accompanying notes to financial statements.

LUBBOCK AREA FOUNDATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE TOTALS FOR 2007**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (4,067,436)	\$ 328,492
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Net Unrealized Losses on Investments	2,663,149	2,279,262
Depreciation	1,333	2,622
Increase (Decrease) in Liabilities	<u>(202,289)</u>	<u>119,392</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(1,605,243)</u>	\$ <u>2,729,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Asset Additions	\$ (1,895)	\$ (3,168)
Net(Increase) Decrease in Investments	<u>1,703,528</u>	<u>(2,690,097)</u>
Net Cash Provided (Used) in Investing Activities	\$ <u>1,701,633</u>	\$ <u>(2,693,265)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 96,390	\$ 36,503
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>354,366</u>	<u>317,863</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>450,756</u></u>	\$ <u><u>354,366</u></u>

See accompanying notes to financial statements.

LUBBOCK AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Lubbock Area Foundation (the Foundation) was incorporated October 14, 1980, as a not-for-profit, charitable organization exempt from federal income taxes under Internal Revenue Code 501(c)(3). The purpose of the Foundation is to receive and accept funds and property to be administered exclusively for charitable purposes primarily in and for the South Plains community.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Classification of Net Assets

Unrestricted Net Assets:

Substantially all contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation's governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of principal, all or part of the principal, of any fund may be used subject to certain conditions, including approval of the Board of Directors. Accordingly, the financial statements classify these assets as unrestricted but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

Unrestricted net assets include:

Endowment Funds	\$ 15,746,537
Available for Grants	401,539
Available for Administration	<u>259,924</u>
	<u>\$ 16,408,000</u>

Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of \$209,000 representing the balance of grants from the CH Foundation for the Community Endowment Challenge initiative. A portion of the grant was released from restriction and recognized as unrestricted revenue in 2008. The program is to provide matching funds to supplement contributions to endowments for selected regional non-profit organizations.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

LUBBOCK AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Spending Policy

The Foundation adopted a spending policy for invested contributions received. Unless the donor specifically states otherwise, annual distribution is to be based on a percent (presently established at five percent in 2008 and three percent in 2009) of the average market value of the invested contributions.

Fixed Assets and Depreciation

Fixed assets are stated at cost. Donated assets are valued at their fair value as of the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives of the assets which generally approximate five years. Depreciation expense for the year ended December 31, 2008, was \$1,333.

Investments

Investments are carried at fair value and are made according to the Investment Policy adopted by the Foundation's Board of Directors.

Grants

Grants are recorded when they are approved by the Board of Directors for payment.

Donated Services

A portion of the Foundation's functions is conducted by board members and unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements because the criteria for recognition has not been met.

Concentration of Credit Risk

The Foundation maintains cash in bank accounts which, at times, may exceed federally insured limits. The Foundation believes that it is not exposed to any significant risk on cash and cash equivalents.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

For comparative purposes, certain 2007 amounts have been reclassified to conform to the 2008 presentation.

LUBBOCK AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. Investments

Substantially all of the securities are held by the Merrill Lynch Investment Group. The Investment Group advises and invests the funds.

Realized and unrealized investment gains or losses are determined by comparison of asset cost to net proceeds received at the time of disposal and changes in the difference between fair values and cost, respectively. These amounts are reflected in the financial statements as net investment gains or losses.

The cost and fair value of securities and other investments held are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Short Term Investments	\$ 1,368,383	\$ 1,368,383
Direct U.S. Treasury Obligations	821,300	982,072
U.S. Governmental Agency Obligations	2,624,536	2,773,761
Corporate Stocks	12,086,364	9,480,072
Mutual Funds	1,430,031	818,964
Corporate Bonds	1,042,204	1,055,394
Other Investments	371,493	571,201
	<u>\$ 19,744,311</u>	<u>\$ 17,049,847</u>

3. Pension Benefits

The Foundation provides a defined contribution plan pension benefit to its employees through an IRC Section 403(b) contract. The cost to the Foundation was \$17,042 in 2008.

4. Functional Expenses

	<u>Program</u>	<u>Fund Raising</u>	<u>Administrative and General</u>	<u>Total</u>
Grants and Scholarships	\$ 730,799	\$	\$	\$ 730,799
Personnel Costs	65,445	126,612	30,368	222,425
Professional and Special Services	13,790	13,790	6,894	34,474
Office Occupancy and Expense	16,407	16,478	5,247	38,132
Marketing and Development	12,166	17,570	4,235	33,971
Library	6,499			6,499
Investments Management	110,392			110,392
	<u>\$ 955,498</u>	<u>\$ 174,450</u>	<u>\$ 46,744</u>	<u>\$ 1,176,692</u>

LUBBOCK AREA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

5. Leases

The Foundation leases office space on an annual basis. Lease expense was \$13,020 in 2008.

6. Funds Held As Agency Endowments

This account represents endowment funds accepted by the Foundation from not-for-profit organizations that specify itself as beneficiary of the fund. The Lubbock Area Foundation has legal ownership and ultimate variance power over the funds; however, for accounting purposes the agencies recognize a beneficial interest in the assets.

7. Micro Loan Program

The Foundation offers a program to guarantee business development loans. Applicants must meet certain requirements to qualify. Approved applicants may apply to a participating bank for a loan through the banks regular loan application process. The participating banks process and service the loans. The Foundation guarantees 75% of the balance of the loan up to \$3,750 through an Endowment Fund previously established at the Foundation. The Foundation guaranty obligation totals \$12,765 as of December 31, 2008.

8. Commitments

The Foundation has an obligation to fund scholarships in subsequent years providing the current recipients remain qualified and attend school. The present obligation to be paid in 2009, 2010, and 2011 totals \$241,583.

ACCOMPANYING INFORMATION

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LUBBOCK, TEXAS 79423-1954

**INDEPENDENT AUDITORS' REPORT ON
ACCOMPANYING INFORMATION**

Our audit of the basic financial statements presented in the preceding section of this report was made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying information shown on Schedules I through III is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

July 21, 2009

LUBBOCK AREA FOUNDATION, INC.

Schedule I

OPERATING FUND
COMPARISON WITH THE BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2008

	Actual	Budget	Favorable (Unfavorable) Variance
REVENUE			
Contributions	\$ 18,895	\$ 23,000	\$ (4,105)
Management Fees	201,414	221,000	(19,586)
Operating Endowment Fees	17,612	17,000	612
Interest/Dividends	8,387	20,000	(11,613)
Grants	37,300	33,000	4,300
Young Leaders Fund	8,320	4,000	4,320
Workshop Income	9,876	5,000	4,876
Annual Fund Raiser	31,558	40,000	(8,442)
TOTAL REVENUE	\$ 333,362	\$ 363,000	\$ (29,638)
EXPENSES			
Personnel Costs			
Director Salary	\$ 72,020	\$ 72,020	\$ 0
Program/Acting/marketing Director Salary	52,000	52,000	0
Program Officer/Special Initiatives Salary	21,600	21,600	0
Development Director Salary	26,000	26,000	0
Office Manager Salary	10,250	7,800	(2,450)
Payroll Taxes	13,913	13,726	(187)
Retirement Plan	17,042	17,162	120
Health Insurance	9,600	9,600	0
Total Personnel Costs	\$ 222,425	\$ 219,908	\$ (2,517)
Special Services			
Legal	\$ 910	\$ 2,500	\$ 1,590
Accounting Services	19,000	18,000	(1,000)
Insurance	5,028	5,000	(28)
Software Upgrade and Expenses	9,536	10,275	739
Total Special Services	\$ 34,474	\$ 35,775	\$ 1,301
Office Expense			
Telephone	\$ 1,510	\$ 1,450	\$ (60)
Rent	13,020	13,020	0
Auto Expense	2,400	2,400	0
Printing and Copying	6,279	5,500	(779)
Postage and Freight	2,193	3,100	907
Office Supplies	1,415	1,600	185
Equipment and Repairs	4,414	1,500	(2,914)
Miscellaneous Office	1,363	200	(1,163)
Bank Charges and Credit Card Fees	1,015	400	(615)
Conferences	12,705	12,000	(705)
Dues	3,189	3,250	61
Program Expense	610	500	(110)
Marketing/Development	11,139	20,610	9,471
Total Office Expense	\$ 61,252	\$ 65,530	\$ 4,278
Fundraiser Expenses			
Annual Fundraiser Expense	\$ 1,557	\$ 10,000	\$ 8,443
Young Leaders Fundraiser	7,329		(7,329)
Young Leaders Fund Expense	631	2,500	1,869
Total Fundraiser Expense	\$ 9,517	\$ 12,500	\$ 2,983
Library Expenses			
Library Materials	\$ 995	\$ 1,375	\$ 380
Workshop	3,933	600	(3,333)
Library Training	1,571	1,750	179
Total Library Expense	\$ 6,499	\$ 3,725	\$ (2,774)
TOTAL EXPENSES	\$ 334,167	\$ 337,438	\$ 3,271
NET INCOME (LOSS)	\$ (805)	\$ 25,562	\$ (26,367)

**LUBBOCK AREA FOUNDATION, INC.
LUBBOCK, TEXAS**

Schedule II

**JUNIOR LEAGUE OF LUBBOCK, INC.
RONALD McDONALD HOUSE ENDOWMENT FUND
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008**

Net Assets - January 1, 2008	\$ 110,381
Interest and Dividends Earned	3,082
Net Investment Losses	<u>(21,517)</u>
Total Available	\$ <u>91,946</u>
Grant - Family House	\$ 4,364
Management and Bank Fees	<u>1,666</u>
Total Expenses	\$ <u>6,030</u>
Net Assets - December 31, 2008	\$ <u><u>85,916</u></u>

**LUBBOCK AREA FOUNDATION, INC.
LUBBOCK, TEXAS**

Schedule III

**JUNIOR LEAGUE OF LUBBOCK, INC.
CHILDREN'S ADVOCACY CENTER ENDOWMENT FUND
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008**

Net Assets - January 1, 2008	\$ 108,071
Interest and Dividends Earned	2,967
Net Investment Losses	<u>(20,786)</u>
Total Available	\$ <u>90,252</u>
Grant - Childrens Advocacy Center	\$ 8,347
Management and Bank Fees	<u>1,615</u>
Total Expenses	\$ <u>9,962</u>
Net Assets - December 31, 2008	\$ <u><u>80,290</u></u>