

**BRAZOS COMMUNITY FOUNDATION**

**AUDIT**

**OF**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2007**

**BREWER, EYEINGTON, PATOUT & CO., LLP**  
**Certified Public Accountants**  
**Bryan, Texas**

BRAZOS COMMUNITY FOUNDATION  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Brazos Community Foundation  
Bryan, Texas

We have audited the accompanying statement of financial position of Brazos Community Foundation (a non-profit organization) as of December 31, 2007, 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 Brazos Community Foundation as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with the accounting principles generally used in the United States of America.

*Brewer, Eyeington, Patout & Co., LLP*

December 8, 2008

**BRAZOS COMMUNITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2007**

**ASSETS**

Current assets:

Cash and cash equivalents (Note 2)	\$ 40,557	
Prepaid expenses	503	
Other current assets	70	
Investments - unrestricted (Note 6)	<u>-</u>	
Total current assets		\$ 41,130

Property and equipment, net (Note 7)

Furniture, fixtures, and equipment	5,132	
Less: Accumulated depreciation	<u>(2,851)</u>	
Net property, plant and equipment		2,281

Restricted assets:

Cash and cash equivalents (Note 2)	491,985	
Investments (Note 6)	952,709	
Pledges Receivable	<u>10,200</u>	<u>1,454,894</u>

**TOTAL ASSETS** **\$ 1,498,305**

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 0	
Payroll Liabilities	4,287	
Deferred pledge revenue	<u>10,200</u>	
Total current liabilities		\$ 14,487

Amounts due to other organizations  
for agency endowments (Note 9)

110,138

Total liabilities 124,625

Net assets:

Unrestricted	177	
Temporarily restricted (Note 8)	254,647	
Permanently restricted (Note 8)	<u>1,118,856</u>	

Total net assets 1,373,680

**TOTAL LIABILITIES AND NET ASSETS** **\$ 1,498,305**

**BRAZOS COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES**

**For Year Ended  
December 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Total contributions	\$ 12,783	\$ 52,300	\$ 514,854	\$ 579,937
Less amounts received for agency endowments	-	-	220	220
Contributions	<u>12,783</u>	<u>52,300</u>	<u>514,634</u>	<u>579,717</u>
Total interest and dividends	5,031	2,637	15,730	23,398
Less amounts received for agency endowments	-	-	3,097	3,097
Interest and dividends	<u>5,031</u>	<u>2,637</u>	<u>12,633</u>	<u>20,301</u>
Total net realized gain on investments	302	1,026	11,968	13,295
Less amounts received for agency endowments	-	-	-	-
Net realized gain	<u>302</u>	<u>1,026</u>	<u>11,968</u>	<u>13,295</u>
Total net unrealized gain on investments	1,003	3,688	40,293	44,984
Less amounts for agency endowments	-	-	6,204	6,204
Net unrealized gain	<u>1,003</u>	<u>3,688</u>	<u>34,089</u>	<u>38,780</u>
In-kind contributions	3,968	-	-	3,968
Administration fee	3,428	-	-	3,428
Net assets released from restrictions (Note 8)	54,913	(200)	(54,713)	-
Special Events - Net	<u>4,684</u>	<u>2,424</u>	<u>33,770</u>	<u>40,878</u>
Total support and revenue	<u>86,111</u>	<u>61,875</u>	<u>552,382</u>	<u>700,368</u>
Expenses				
Program expenses:				
Grants to other organizations	9,400	-	-	9,400
General and administrative expenses:				
Scholarships awarded	37,276	-	-	37,276
Communications	1,534	-	-	1,534
Conferences, meetings and training	3,988	-	-	3,988
Contract work	405	-	-	405
Depreciation (Note 2)	881	-	-	881
Insurance	623	-	-	623
Investment expenses	8,237	-	-	8,237
Marketing	367	-	-	367
Memberships and dues	650	-	-	650
Postage and delivery	734	-	-	734
Printing and reproduction	453	-	-	453
Professional fees	504	-	-	504
Supplies	1,123	-	-	1,123
Rent	3,968	-	-	3,968
Payroll Expenses	43,476	-	-	43,476
Administrative expenses	3,440	-	-	3,440
Less amounts for agency endowments	-	-	-	-
Total expenses	<u>117,059</u>	<u>-</u>	<u>-</u>	<u>117,059</u>
Change in Net Assets	(30,948)	61,875	552,382	583,309
Net Assets at Beginning of Year	<u>31,125</u>	<u>192,772</u>	<u>566,474</u>	<u>790,371</u>
Net Assets at End of Year	<u>\$ 177</u>	<u>\$ 254,647</u>	<u>\$ 1,118,856</u>	<u>\$ 1,373,680</u>

**BRAZOS COMMUNITY FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For Year Ended December 31, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	583,309
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	\$	881
Net (gain) loss on sale of investments		(13,295)
Net unrealized (gain) loss on investments		(38,780)
(Increase) decrease in assets:		
Prepaid expenses		144
Other current assets		(62)
Increase (decrease) in liabilities:		
Accounts payable		(406)
Payroll Liabilities		4,191
Agency Accounts		8,508
Net cash provided (used) by operating activities		<u>(38,819)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments		(143,762)
Contribution of Stock		(298,504)
Sale of investments		287,127
Net cash provided (used) by investing activities		<u>(155,139)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net cash provided (used) by financing activities		<u>-</u>
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Net increase (decrease) in cash and cash equivalents		389,351
Cash and cash equivalents at beginning of year		<u>143,191</u>
Cash and cash equivalents at end of year	\$	<u><u>532,542</u></u>

Interest expense		<u><u>\$ -</u></u>
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See accompanying notes and accountant's report

**BRAZOS COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**For Year Ended December 31, 2007**

**Note 1 - ORGANIZATION**

Nature of Activities

Brazos Community Foundation, Inc. (the Foundation) was organized on January 9, 2003 as a non-profit corporation for the purpose of enhancing and benefiting charitable, educational, religious, literary, and scientific purposes primarily in Brazos County, TX and vicinity, and to prevent cruelty to children and animals in its service area.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation 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.

Cash and Cash Equivalents

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

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. It is the Foundation's policy to immediately sell donated marketable securities upon receipt.

Donated Services

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

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and reported revenue and expenses. Actual results could differ from those estimates.

**BRAZOS COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**For Year Ended December 31, 2007**  
**Continued**

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

Brazos Community Foundation is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code 501(c)(3). Accordingly, no provision for federal income taxes have been made.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in net assets in the accompanying Statement of Activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$100. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Depreciation expense is \$881 for the year ended December 31, 2007.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets reported in the Statement of Activities as net assets released from restrictions.

**Note 3 - ADVERTISING**

The Organization uses advertising to promote its programs among the audiences it serves. The costs are expensed as incurred. During fiscal year 2007, advertising costs totaled \$367.

**Note 4 - CONCENTRATION OF RISK**

Financial instruments that potentially subject the Foundation to risk are cash and marketable security investments. Exposure with respect to cash investments is limited by investment in government guaranteed trusts. Future changes in market prices may make the Foundation's marketable security investments less valuable. Risk exposure with respect to investments in marketable securities is limited due to diversified holdings in a variety of equity securities and mutual funds. The Foundation's uninsured cash and marketable securities investments are valued at \$1,423,209 at December 31, 2007.

**BRAZOS COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**For Year Ended December 31, 2007**  
**Continued**

**Note 5 - DONATED SERVICES AND ASSETS**

The value of donated services and assets included as in-kind contributions and the corresponding expenses or asset accounts for the year ended December 31, 2007 are as follows:

Rent	\$	3,968
		3,968
	\$	3,968

Donated services from volunteers performing certain support services during the year are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 are not met.

**Note 6 - INVESTMENTS**

Investments consist of equity securities and mutual funds, and are carried at fair market value. Cost and market values as of December 31, 2007 are summarized as follows:

	Cost	Market Value
Equity securities - Wells Fargo	\$ 538,239	\$ 629,768
Mutual Funds - Wells Fargo	122,449	122,825
Mutual funds - American Funds	109,952	105,686
Mutual funds - LPL	95,545	94,430
	\$ 866,185	\$ 952,709

**Note 7 - PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment for the year ended December 31, 2007:

	Balance 01/01/07	Additions	Retirements	Balance 12/31/07
Furniture, fixtures, & equipment	\$ 3,674	\$ 1,458	\$ -	\$ 5,132
	3,674	1,458	-	5,132
Less accumulated depreciation	(1,970)	(881)	-	(2,851)
	\$ 1,704			\$ 2,281

**BRAZOS COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**For Year Ended December 31, 2007**  
**Continued**

**Note 8 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Specific programs or purposes	\$ <u>254,647</u>
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Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended December 31, 2007:

Purpose restrictions accomplished:

Grants to Other Organizations	\$ 200
Brokerage Fees	-
Administrative Fees	<u>-</u>
	<u>\$ 200</u>

Permanently restricted net assets consist of various permanent funds. The principal contributed by the respective donors is to remain intact indefinitely. Income from the funds may be used for areas of particular interest as stipulated by the donors.

Permanently restricted net assets are available for the following purposes:

Specific programs or purposes	\$ <u>1,118,856</u>
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Permanently restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended December 31, 2007:

Purpose restrictions accomplished:

Grants to Other Organizations	\$ 9,200
Scholarship awarded	37,276
Administrative Fees	<u>8,237</u>
	<u>\$ 54,713</u>

**BRAZOS COMMUNITY FOUNDATION**  
**Notes to Financial Statements**  
**For Year Ended December 31, 2007**  
**Continued**

**Note 9 - AGENCY ENDOWMENTS**

FAS 136 specifically requires that if a Not-for-Profit Organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments. These funds are presented net of their respective income and expenses as a non-current liability in the accompanying Statement of Financial Position. Amounts due to other organizations for agency endowments at December 31, 2007 are summarized as follows:

Arts Council of BV	\$ 4,605
Boys and Girls Club of Brazos Valley	6,460
Brazos Animal Shelter	139
Brazos Valley Chorale	6,536
Brazos Valley Museum of Natural History	5,489
Cherry/St. Andrews Youth	10,972
Children's Museum of Brazos Valley	1,376
Class/St. Andrew's Episcopal Church	62,309
Scotty's House	1,877
St. Michaels Academy	5,746
Still Creek Ranch	<u>4,629</u>
	<u><u>\$ 110,138</u></u>