

Community Foundation of the Brazos Valley

Financial Statements

with

Independent Auditors' Report

December 31, 2008

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY  
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**SEIDEL, SCHROEDER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT**

Members of the Board of Directors  
Community Foundation of the Brazos Valley

We have audited the accompanying statement of financial position of Community Foundation of the Brazos Valley (a Texas Non-Profit Corporation) 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 Community Foundation of the Brazos Valley'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 in the first paragraph present fairly, in all material respects, the financial position of the Community Foundation of the Brazos Valley as of December 31, 2008 and the related statements of activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

May 18, 2009

*Seidel, Schroeder & Company*

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
**Statement of Financial Position**  
**December 31, 2008**

ASSETS

Current assets:	
Cash (note 2)	\$ 158,727
Investments (note 4)	1,010,727
Prepaid expenses	494
Total current assets	1,169,948
Property and equipment:	
Furniture, fixtures, and equipment	12,711
Less: Accumulated depreciation	(4,062)
Net property and equipment	8,649
Total assets	\$ 1,178,597

LIABILITIES AND NET ASSETS

Liabilities:	
Payroll liabilities	\$ 4,723
Agency endowments (note 7)	74,114
Total liabilities	78,837
Net assets: (note 5)	
Unrestricted	946,850
Temporarily restricted	152,909
Total net assets	1,099,760
Total liabilities and net assets	\$ 1,178,597

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**

Statement of Activities

For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Public support and revenues</u></b>				
Donations	\$ 121,319	\$ 81,724	\$ -	\$ 203,043
Investment income (loss)	(344,183)	(32,651)	-	(376,834)
Special events	32,083	-	-	32,083
In kind contributions	3,171	-	-	3,171.17
Other	1,654	-	-	1,654.33
Net assets released from purpose restrictions	37,819	(37,819)	-	-
Total public support and revenues	<u>(148,137)</u>	<u>11,254</u>	<u>-</u>	<u>(136,882)</u>
<b><u>Expenses</u></b>				
Program services:				
Grants to organizations	11,743	-	-	11,743
Scholarships	25,750	-	-	25,750
Special events	10,724	-	-	10,724
Support services:				
Administrative expenses	88,821	-	-	88,821
Total expenses	<u>137,038</u>	<u>-</u>	<u>-</u>	<u>137,038</u>
Change in net assets	(285,175)	11,254	-	(273,920)
Net assets - beginning of year, as previously reported	177	254,647	1,118,856	1,373,680
Reclassifications of net assets (note 6)	1,231,848	(112,992)	(1,118,856)	-
Net assets - beginning of year, as restated	<u>1,232,025</u>	<u>141,655</u>	<u>-</u>	<u>1,373,680</u>
Net assets - end of year	<u>\$ 946,850</u>	<u>\$ 152,909</u>	<u>\$ -</u>	<u>\$ 1,099,760</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (273,920)
Adjustments to reconcile to net cash provided (used) by operating activities:	
Net unrealized (gain) loss on investments	370,263
Non cash contribution	(13,553)
Net (gain) loss on sale of investments	54,191
Depreciation	1,211
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Prepaid expenses	9
Other current assets	70
Payroll liabilities	436
Agency funds	<u>(7,237)</u>
Net cash provided (used) by operating activities	<u>131,470</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(772,891)
Proceeds from the sale of investments	275,185
Purchase of property and equipment	<u>(7,579)</u>
Net cash provided (used) by investing activities	<u>(505,285)</u>
Net increase (decrease) in cash and equivalents	(373,815)
Cash and cash equivalents at beginning of year	<u>532,542</u>
Cash and cash equivalents at end of year	<u><u>\$ 158,727</u></u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
**Notes to the Financial Statements**  
**December 31, 2008**

1. Summary of significant accounting policies

History

Community Foundation of the Brazos Valley is a public, not for profit 501(c)(3) organization. The Foundation was originally organized on January 9, 2003 under the name Brazos Community Foundation.

Mission

The Community Foundation of the Brazos Valley is dedicated to improving the quality of life in the Brazos Valley through the development of philanthropic giving, responsible grant making, professional stewardship and collaborative leadership.

Basis of accounting

The financial statements of the Community Foundation of the Brazos Valley have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions. These classes are as follows:

Unrestricted net assets – Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

As permitted by the statement, the organization does not use fund accounting.

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
**Notes to the Financial Statements**  
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Programs

Programs are established to comply with the intent of the donor. All contributions, which contain restrictions, are classified as temporarily restricted net assets. These amounts are tracked, by the individual programs, until fully expended. The individual programs are classified in the note which provides details on temporarily restricted net assets. Categories of major programs, during the period covered by these financial statements were:

1. Scholarships for students attending area colleges
2. Various programs and activities of charitable organizations in the Brazos valley

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments available for current use with an original 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.

Contributed Services

For the years covered in this report, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Estimates

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

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
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**December 31, 2008**

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Expenditures for additions, major renewal, and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over estimated useful lives.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Corporation is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Corporation has no unrelated business income.

2. Cash and cash equivalents

Cash and cash equivalents consist of checking accounts at local financial institutions and money market accounts with original maturities less than three months. For the purpose of the statement of cash flows, temporarily restricted cash and cash equivalents are included.

3. Concentration of credit risk arising from cash deposits in excess of insured limits

At December 31, 2008, the Foundation did not have cash balances exceeding the FDIC \$250,000 coverage.

4. Investments

The organization carries investments in marketable securities with readily determinable fair values at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments in marketable securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31, 2008:

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
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	<u>Cost</u>	<u>Market Value</u>
Equity securities	\$ 752,236	\$ 622,228
Mutual funds	568,329	388,498
	<u>\$ 1,320,565</u>	<u>\$ 1,010,727</u>

Investment Income and Gains

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. Investment return consists of the following:

Investment income	\$ 47,620
Net realized gain (loss) on sale of investments	(54,191)
Net unrealized gain (loss) on investments	<u>(370,263)</u>
	<u>\$ (376,834)</u>

Investment Pools

The Organization maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

5. Net Assets

Included in unrestricted net assets are approximately \$270,673 of donor-advised funds as of December 31, 2008. Although grant recommendations are accepted from the donors or other advisors of these funds, the foundation has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Trustee. Thus such funds represent unrestricted net assets to the foundation.

Temporarily restricted net assets are net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specific purpose. All temporarily restricted net assets of this Foundation are based on purpose restrictions.

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
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The following is a summary of temporarily restricted net assets classified by purpose restrictions:

	BALANCE AS OF DECEMBER 31, 2007	CONTRIBUTIONS RESTRICTED BY PURPOSE RESTRICTIONS	AMOUNTS RELEASED FROM RESTRICTIONS	2008 EARNINGS (LOSS)	BALANCE AS OF DECEMBER 31, 2008
Boys & Girls Clubs of the Brazos Valley Building Fund	\$ 12,900	\$ 58,750	\$ 1,455	\$ 1,455	\$ 71,650
Community Foundation FIMS Fund	13,700	-	10,282	(1,251)	2,167
Fries Financial Services Sue Betts Scholarship Fund	1,500	-	1,500	-	-
Blinn College Native American Scholarship Fund	2,000	-	55	55	2,000
New Horizon Scholarship Fund	111,555	22,974	24,528	(32,910)	77,092
	<u>\$ 141,655</u>	<u>\$ 81,724</u>	<u>\$ 37,819</u>	<u>\$ (32,651)</u>	<u>\$ 152,909</u>

Donor restricted contributions are recorded as temporarily restricted net assets, even if the restrictions are met in the same reporting period in which the contributions are received.

Permanently restricted net assets represent donor-restricted donations. The restrictions are for the donated assets to remain in perpetuity, and the Foundation does not have the right to invade the original principal. As of December 31, 2008 the Foundation did not have any permanently restricted net assets.

6. Reclassification of Net Assets

Per review of fund restrictions and asset classifications, the prior year net asset balances were improperly classified as permanently restricted and temporarily restricted. The current year reclassification of the beginning balances does not change the balance of net assets, just the classification. As of December 31, 2007, the Foundation did not have any permanently restricted net assets, and the balance of temporarily restricted net assets was \$141,655. Unrestricted net assets as of December 31, 2007 were \$1,232,025.

**COMMUNITY FOUNDATION OF THE BRAZOS VALLEY**  
**Notes to the Financial Statements**  
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7. Agency Endowment Funds

Statement of Financial Accounting Standards No. 136 requires that if a not-for-profit organization transfers assets to a recipient organization and specifies itself or its affiliate as the beneficiary the organization must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency endowment funds. These funds are presented net of their respective income and expenses as a non-current liability in the Statement of Financial Position. The agency endowment funds held at December 31, 2008 are summarized as follows.

Arts Council of Brazos Valley	\$ 3,353
Boys and Girls Club of Brazos Valley	4,644
Brazos Animal Shelter	101
Brazos Valley Choral	4,698
Brazos Valley Museum	3,945
Cherry/St. Andrews Youth	7,143
Children's Museum of Brazos Valley	989
Plass/St. Andrews Episcopal	40,570
Scotty's House	1,349
St. Michaels Academy	4,130
Still Creek Ranch	3,192
	<u>\$ 74,114</u>



**SEIDEL, SCHROEDER & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

To the Board of Directors  
Community Foundation of the Brazos Valley

In planning and performing our audit of the financial statements of Community Foundation of the Brazos Valley for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Community Foundation of the Brazos Valley's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Community Foundation of the Brazos Valley's internal control to be material weaknesses:

Segregation of duties

The Foundation currently has one individual who performs accounting duties, including preparing and making deposits, posting transactions, and reconciling the bank account. To mitigate the lack of segregation of duties over cash disbursements, all checks over \$500 require dual signatures and a board member reviews all reconciliations, bank statements, check images, and financial statements. It is important that these offsetting control procedures be continued. We noted that during 2009 after the Foundation changed banks, it was no longer receiving check images with the bank statements. Per our suggestion, the Foundation has corrected this problem and is now receiving check images with the bank statement.

Reconciliation of fund net assets

The net assets of the various donation categories for 2008 were maintained in a separate excel document outside of the accounting system. The beginning balances shown on the schedule did not agree to the net asset balances in the 2007 audit report nor did the activity for the year agree to the general ledger. These balances should be reconciled to the investment and bank statements and the general ledger to identify and correct differences on a timely basis. Beginning in 2009, the information has been entered into the FIMS accounting system and is now maintained and reconciled.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Community Foundation of the Brazos Valley's internal control to be significant deficiencies:

Preparation of the bank reconciliation

It was noted that the bank reconciliation was not prepared correctly at year end. Per review of the subsequent bank statement, there were several outstanding checks at year end that were not listed on the reconciliation.

Documentation of grants and scholarships

There was no documentation of approval for grants and several scholarships made in 2008. Per discussion with client, the board is now presented with a list of grants and scholarships for approval at the board meeting and documentation of the approval is maintained in the Foundation's records.

Remittance of payroll taxes

During 2007, the Foundation was changed by the Internal Revenue Service from filing a Form 941 quarterly payroll report to filing a Form 944 annual payroll report. The Foundation misunderstood the payroll tax remittance requirements and for 2007 and 2008 payroll taxes were not remitted timely. Payroll taxes are required to be remitted monthly if the amount of the tax is greater than \$2,500 for the reporting period. For 2009, the Foundation was changed back to filing a quarterly Form 941, and payroll taxes are now being remitted monthly.

This communication is intended solely for the information and use of management, and the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

May 18, 2009

*Sindel, Schneider & Company*



**SEIDEL, SCHROEDER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

May 18, 2009

To the Board of Directors  
Community Foundation of the Brazos Valley

We have audited the financial statements of Community Foundation of the Brazos Valley for the year ended December 31, 2008, and have issued our report thereon dated May 18, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 2, 2009 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you on February 23, 2009.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Community Foundation of the Brazos Valley are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Foundation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

Change in net assets per books for the year ended December 31, 2008	\$ (303,392)
Adjustments:	
Capitalize software purchase	7,208
Depreciation expense	(1,211)
Investment income	28,310
Grant expense	6,760
Intercompany receivable	(12,820)
Miscellaneous/prepaid expenses	1,225
Net effect of adjustments	<u>29,472</u>
Change in net assets, as adjusted	<u>\$ (273,920)</u>

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements to report.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 18, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Community Foundation of the Brazos Valley and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Seidel, Schroeder & Company

Community Foundation of the Brazos Valley  
Schedule of Unadjusted Audit Differences  
December 31, 2008

Description of Audit Difference	Total Assets	Total Liabilities	Net Assets	Change in Net Assets
Scholarships at beginning of year	\$ -	\$ -	\$ (6,500)	\$ 6,500
Payroll taxes from prior year	-	-	(2,786)	2,786
Total unadjusted audit differences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,286)</u>	<u>\$ 9,286</u>
Financial statement caption totals	\$ 1,178,597	\$ 78,837	\$ 1,099,760	\$ (273,920)
Net audit differences as a percentage of financial statement caption totals	0.00%	0.00%	-0.84%	-3.39%