

**THE COMMUNITY FOUNDATION OF  
SHREVEPORT-BOSSIER  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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# HEARD, McELROY, & VESTAL

LLP

CERTIFIED PUBLIC ACCOUNTANTS

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April 9, 2010

The Audit Committee  
The Community Foundation of Shreveport-Bossier  
Shreveport, Louisiana

## Independent Auditor's Report

We have audited the accompanying consolidated statements of financial position of The Community Foundation of Shreveport-Bossier as of December 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation of Shreveport-Bossier as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

*Heard, McElroy + Vestal, LLP*

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THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	50,251	59,710
Prepaid expenses and other assets	14,935	15,995
Investments-trusts (excluding Stiles)-Note 3	11,627,954	9,668,497
Investments-Stiles trust-Note 3	7,277,563	6,354,722
Investments-long-term bank pool-Note 3	40,344,148	33,288,822
Investments-short-term bank pool-Note 3	6,123,896	7,252,644
Investments-Merrill Lynch pool-Note 3	1,015,112	1,000,842
Investments-other-Note 3	243,233	210,530
Interest in charitable remainder trusts and estate	1,041,394	1,422,414
Fixed assets-Note 4	16,423	9,820
Cash surrender value of life insurance	<u>102,288</u>	<u>99,033</u>
Total assets	<u>67,857,197</u>	<u>59,383,029</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and advance dues	160,904	185,245
Grants payable-Note 5	759,183	1,021,689
Funds held as agency endowments-Note 6	<u>4,995,289</u>	<u>4,118,761</u>
Total liabilities	5,915,376	5,325,695
Net assets: Note 7		
Unrestricted:		
Donor advised	6,598,650	5,752,530
Field of interest	11,916,811	10,125,006
Scholarship	365,406	307,929
Designated	317,694	418,257
Undesignated	<u>17,293,403</u>	<u>16,116,447</u>
Total unrestricted	36,491,964	32,720,169
Temporarily restricted	7,581,869	7,451,765
Permanently restricted	<u>17,867,988</u>	<u>13,885,400</u>
Total net assets	<u>61,941,821</u>	<u>54,057,334</u>
Total liabilities and net assets	<u>67,857,197</u>	<u>59,383,029</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Changes in net assets:</u>				
Revenues and gains:				
Contributions:				
Membership	192,974	15,146	-	208,120
Other	1,210,685	2,990	14,234	1,227,909
Income on long-term investments	963,341	145,461	942	1,109,744
Other investment income	122,666	1,008,284	-	1,130,950
Net unrealized and realized gains (losses) on long-term investments-Note 3	4,646,298	1,565,698	1,958,516	8,170,512
Change in value of split interest agreements	(58,520)	(305,000)	-	(363,520)
Other income	<u>143,130</u>	<u>-</u>	<u>-</u>	<u>143,130</u>
Total revenues and gains (losses)	<u>7,220,574</u>	<u>2,432,579</u>	<u>1,973,692</u>	<u>11,626,845</u>
Net assets released from restrictions	1,311,800	(1,311,800)	-	-
Net assets reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues, losses, and other support	 8,532,374	 1,120,779	 1,973,692	 11,626,845
Expenses:				
Management and general-Note 8	565,042	-	-	565,042
Grants	2,883,664	-	-	2,883,664
Expenses of specific funds-Note 11	<u>293,652</u>	<u>-</u>	<u>-</u>	<u>293,652</u>
Total expenses	<u>3,742,358</u>	<u>-</u>	<u>-</u>	<u>3,742,358</u>
 <u>Change in net assets</u>	 4,790,016	 1,120,779	 1,973,692	 7,884,487
 <u>Net assets at beginning of year as previously     reported</u>	 32,720,169	 7,451,765	 13,885,400	 54,057,334
 <u>Reclassification of net assets</u>	 <u>(1,018,221)</u>	 <u>(990,675)</u>	 <u>2,008,896</u>	 <u>-</u>
 <u>Adjusted net assets at beginning of year</u>	 <u>31,701,948</u>	 <u>6,461,090</u>	 <u>15,894,296</u>	 <u>54,057,334</u>
 <u>Net assets at end of year</u>	 <u>36,491,964</u>	 <u>7,581,869</u>	 <u>17,867,988</u>	 <u>61,941,821</u>

The accompanying notes are an integral part of the financial statements.

2008

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
101,215	-	-	101,215
2,974,029	945,275	554,755	4,474,059
1,122,079	107,316	1,562	1,230,957
1,159,462	609,319	-	1,768,781
(13,112,114)	(2,620,175)	(4,913,278)	(20,645,567)
-	-	-	-
<u>156,293</u>	<u>-</u>	<u>-</u>	<u>156,293</u>
(7,599,036)	(958,265)	(4,356,961)	(12,914,262)
942,969	(942,969)	-	-
<u>-</u>	<u>166</u>	<u>(166)</u>	<u>-</u>
(6,656,067)	(1,901,068)	(4,357,127)	(12,914,262)
559,048	-	-	559,048
3,582,007	-	-	3,582,007
<u>327,451</u>	<u>-</u>	<u>-</u>	<u>327,451</u>
<u>4,468,506</u>	<u>-</u>	<u>-</u>	<u>4,468,506</u>
(11,124,573)	(1,901,068)	(4,357,127)	(17,382,768)
43,848,737	9,648,292	18,242,527	71,739,556
<u>(3,995)</u>	<u>(295,459)</u>	<u>-</u>	<u>(299,454)</u>
<u>43,844,742</u>	<u>9,352,833</u>	<u>18,242,527</u>	<u>71,440,102</u>
<u>32,720,169</u>	<u>7,451,765</u>	<u>13,885,400</u>	<u>54,057,334</u>

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	7,884,487	(17,382,768)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	2,871	3,208
Decrease (increase) in interest in charitable remainder trusts and estate	381,020	(1,380,414)
Decrease in prepaid expenses and other assets	1,060	3,005
(Increase) in cash surrender value of life insurance	(3,255)	-
(Decrease) increase in accounts payable and advance dues	(24,341)	111,014
(Decrease) in grants payable	(262,506)	(2,840)
Net unrealized and realized losses on long-term investments	<u>(8,170,512)</u>	<u>20,645,567</u>
Net cash (used) provided by operating activities	(191,176)	1,996,772
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	12,209,053	13,939,949
Purchase of investments	(12,196,137)	(18,080,666)
Purchase of equipment and furnishings	<u>(9,474)</u>	<u>(6,429)</u>
Net cash provided (used) by investing activities	3,442	(4,147,146)
<u>Cash flows from financing activities:</u>		
Increase in funds held as agency endowments	<u>178,275</u>	<u>2,069,307</u>
Net cash provided by financing activities	<u>178,275</u>	<u>2,069,307</u>
<u>Net (decrease) in cash and cash equivalents</u>	(9,459)	(81,067)
<u>Cash and cash equivalents at beginning of year</u>	<u>59,710</u>	<u>140,777</u>
<u>Cash and cash equivalents at end of year</u>	<u><u>50,251</u></u>	<u><u>59,710</u></u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

**1. Nature of Operations**

The consolidated financial statements include The Community Foundation of Shreveport-Bossier (the Foundation) and its supporting organization, the Annie Lowe Stiles Trust (the Trust). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Foundation is a public nonprofit organization which was organized on June 26, 1961, to serve the needs of the Shreveport-Bossier area. Grants are made by the Foundation for charitable, scientific, literary, educational and civic purposes.

The Trust is being administered by the trustees for the benefit of the Foundation which is both the income and principal beneficiary of the Trust. The trustees are directed to deliver the net income annually to the Foundation for its public, charitable, and educational uses. The trustees have full discretion to distribute any amount of principal to the Foundation and in the event the principal of the Trust should become inadequate to justify its continuance, they may terminate it by delivering its remaining property to the Foundation. Beginning in the year 2000, the Trust began making an annual distribution to the Foundation equal to five percent of the three year rolling average of the fair market value of the Trust's marketable securities. The net income from the Trust's real estate (royalties, rentals, and timber sales) is distributed to the Foundation quarterly. Such distributions are eliminated in consolidation.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**(a) Financial Statement Presentation**

The financial statements are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

In accordance with FASB Codification topic 958, "*Not-for-Profit Entities*" (FASB ASC 958) net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. Some unrestricted funds are designated by the board for specific purposes.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

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

## 2. Summary of Significant Accounting Policies (Continued)

### (b) *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

### (c) *Income Taxes*

The Foundation and the Trust are nonprofit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has further determined that the Trust is a supporting organization as described in Section 509(a)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2006 and beyond remain subject to examination by the Internal Revenue Service.

### (d) *Investments*

The Foundation records investments at market value, based on quoted market prices, where available. Mineral interests are valued using a multiple of earnings or discounted estimated cash flow methodology. Increases and decreases in market value are recognized in the periods in which they occur. Upon disposition, the cost of the specific investment is used to compute the realized gain or loss to be recognized. Cost and market values are disclosed in Note 3.

### (e) *Fixed Assets and Depreciation*

Fixed assets are recorded at cost, or if donated, at the fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis.

### (f) *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 estimated.

### (g) *Concentrations of Credit and Market Risk*

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

2. **Summary of Significant Accounting Policies** (Continued)

(h) ***Reclassification***

Certain reclassifications have been made to Net Asset balances as of December 31, 2008. Management has determined that certain reclassifications of net assets on the 2008 financial statements were necessary. Permanently Restricted Net Assets was increased by \$2,008,896 and reclassified between Unrestricted Net Assets and Temporarily Restricted Net Assets in the amounts of \$1,018,221 and \$990,675, respectively.

3. **Investments**

Investments-trusts, investments-bank pools, and investments-other are presented below with their respective costs and market values at December 31:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments-trusts (excluding Stiles):				
Cash and cash equivalents	410,769	408,193	348,740	348,740
Equities	4,225,839	4,614,609	5,483,718	4,441,002
Fixed	4,368,547	4,561,851	4,286,308	4,291,534
Structured investments	1,024,688	1,079,334	-	-
Real estate and mineral interests	<u>565,165</u>	<u>963,967</u>	<u>565,217</u>	<u>587,221</u>
	<u>10,595,008</u>	<u>11,627,954</u>	<u>10,683,983</u>	<u>9,668,497</u>
Investments-Stiles trust:				
Cash and cash equivalents	187,973	187,973	315,863	315,863
Accrued income	24,499	24,499	16,170	16,170
Equity funds	3,080,000	2,564,671	3,080,000	2,019,967
Bond fund	733,766	753,927	600,000	581,089
Hedge fund*	273,174	237,047	515,000	398,328
Real estate and mineral interests	<u>1,339,628</u>	<u>3,509,446</u>	<u>1,341,373</u>	<u>3,023,305</u>
	<u>5,639,040</u>	<u>7,277,563</u>	<u>5,868,406</u>	<u>6,354,722</u>
Investments-long-term bank pool:				
Cash and cash equivalents	747,278	747,278	693,368	693,368
Equities	25,769,463	24,217,028	25,651,048	16,883,763
Fixed	5,336,979	5,571,537	7,126,613	6,930,496
Hedge funds**	3,800,000	4,200,238	3,800,000	3,835,770
Real estate funds***	4,487,199	1,499,328	3,692,950	2,050,449
Other	<u>4,011,847</u>	<u>4,108,739</u>	<u>3,610,475</u>	<u>2,894,976</u>
	<u>44,152,766</u>	<u>40,344,148</u>	<u>44,574,454</u>	<u>33,288,822</u>
Investments-short-term bank pool:				
Cash and cash equivalents	<u>6,123,896</u>	<u>6,123,896</u>	<u>7,252,644</u>	<u>7,252,644</u>
Investments-Merrill Lynch pool:				
Cash and cash equivalents	358,074	358,074	1,000,842	1,000,842
Equity funds	200,000	242,848	-	-
Fixed funds	<u>400,000</u>	<u>414,190</u>	-	-
	<u>958,074</u>	<u>1,015,112</u>	<u>1,000,842</u>	<u>1,000,842</u>
Investments-other	<u>184,907</u>	<u>243,233</u>	<u>152,204</u>	<u>210,530</u>

### 3. Investments (Continued)

- \* The balance of the Stiles trust invested in a hedge fund is invested in the Austin Capital Safe Harbor Offshore Fund, Ltd. ("the Fund"). The Fund is a multi-manager hedge fund-of-funds investment vehicle. The Fund seeks to produce a stable long-term investment return stream and an attractive risk/return profile. The Fund maintained an investment in the Rye Select Broad Market Prime Fund, L.P. ("BMP") managed by Tremont Partners, Inc., a Registered Investment Advisor, which engaged the firm controlled by Bernard L. Madoff as its sub-advisor. The Fund has designated the BMP exposure as a special situation investment ("Class SI Series BMP") and recognized a 100% loss in the month of December 2008. The Foundation's BMP exposure was \$34,080.
- \*\* The balance of the long-term bank pool invested in hedge funds is invested in the Private Advisors Stable Value Fund, Ltd. (the "Fund"). The Fund's principal investment objective is to achieve consistent, positive returns, while attempting to reduce risk and volatility, by placing its capital with a variety of experienced portfolio managers who operate mainly as hedge funds. Such portfolio managers and hedge funds will employ a variety of trading styles or strategies, including, but not limited to, convertible and fixed income arbitrage, merger or risk arbitrage and other event-driven investing, distressed and other high yield debt, long/short equity, multi-strategy and other market-neutral strategies (i.e., strategies where returns are not necessarily correlated to traditional stock and bond indices). The Fund is structured as a multi-manager hedge fund-of-funds investment vehicle.
- \*\*\* The balance of the long-term bank pool invested in real estate funds is invested in the INVESCO Real Estate Fund II, L.P. ("IRE Fund II") and the JER Real Estate Qualified Partners IV, L.P. ("JER Fund IV"). IRE Fund II seeks to achieve value-added returns on a property by property basis through recapitalization, purchases of high yield noninvestment grade commercial mortgage back securities debt, lease-ups, re-tenanting, renovation and development. On October 2, 2007, the Foundation entered into a Subscription Agreement with IRE Fund II and committed to fund capital calls of the IRE Fund II in the aggregate amount of \$5 million. As of December 31, 2008, the Foundation had funded \$1.25 million toward its IRE Fund II capital commitment; therefore, the Foundation's remaining capital commitment was \$3.75 million. As of December 31, 2009, the Foundation had funded \$1,937,665 toward its commitment, with \$3,062,335 remaining. The investment objective of JER Fund IV is to make investments in real estate and real estate related assets. JER Fund IV may invest, directly or indirectly in any debt or equity interests in, or relating to, real estate assets of any type or real estate companies and real estate related companies. On February 22, 2008, the Foundation entered into a Subscription Agreement with JER Fund IV and committed to fund capital calls of the JER Fund IV in the aggregate amount of \$3 million. As of December 31, 2008, the Foundation had funded \$2,238,342 toward its JER Fund IV capital commitment; therefore, the Foundation's remaining capital commitment was \$761,658. As of December 31, 2009, the Foundation has funded \$2,345,236 toward its capital commitment; therefore, the Foundation's remaining capital commitment is \$654,764.

Net realized losses were \$1,655,379 and net unrealized gains were \$9,825,891 for 2009. Net realized losses were \$739,568 and net unrealized losses were \$19,905,999 for 2008.

Investment custodial fees totaling \$105,667 for 2009 and \$152,462 for 2008 have been netted against income on long-term investments in the accompanying Statement of Activities.

The Foundation adopted FASB Codification topic 820, "*Financial Value Measurements and Disclosures*" (FASB ASC 820), as of January 1, 2008. FASB ASC 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

### 3. Investments (Continued)

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2009 and 2008 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>December 31, 2009:</b>				
Investments-trusts (excluding Stiles)	8,622,293	1,926,327	1,079,334	11,627,954
Investments-Stiles trust	3,531,070	3,509,446	237,047	7,277,563
Investments-long-term bank pool	34,644,582	-	5,699,566	40,344,148
Investments-short-term bank pool	6,123,896	-	-	6,123,896
Investments-Merrill Lynch pool	1,015,112	-	-	1,015,112
Investments-other	-	243,233	-	243,233
	<u>53,936,953</u>	<u>5,679,006</u>	<u>7,015,947</u>	<u>66,631,906</u>
<b>December 31, 2008:</b>				
Investments-trusts (excluding Stiles)	8,070,728	1,597,769	-	9,668,497
Investments-Stiles trust	2,933,089	3,023,305	398,328	6,354,722
Investments-long-term bank pool	27,402,603	-	5,886,219	33,288,822
Investments-short-term bank pool	7,252,644	-	-	7,252,644
Investments-Merrill Lynch pool	1,000,842	-	-	1,000,842
Investments-other	-	210,530	-	210,530
	<u>46,659,906</u>	<u>4,831,604</u>	<u>6,284,547</u>	<u>57,776,057</u>

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2009</u>	<u>2008</u>
Balance-January 1	6,284,547	4,859,969
Gains (losses) realized and unrealized	(1,087,537)	(2,279,413)
Purchases, issuances, and settlements	<u>1,818,937</u>	<u>3,703,991</u>
Balance-December 31	<u>7,015,947</u>	<u>6,284,547</u>

4. **Fixed Assets**

A summary of fixed assets at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Equipment and furnishings	91,528	82,054
<u>Less-accumulated depreciation</u>	<u>(75,105)</u>	<u>(72,234)</u>
Book value-fixed assets	<u>16,423</u>	<u>9,820</u>

Depreciation expense was \$2,871 and \$3,208 for the years ended December 31, 2009 and 2008, respectively.

5. **Commitments**

As of December 31, 2009, grants of \$759,183 have been approved and are payable in 2010. As of December 31, 2008, the Foundation had approved grants of \$1,021,689 payable in 2009.

6. **Agency Endowment Funds**

FASB ASC 958 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. FASB ASC 958 specifically requires that if a not-for-profit organization (NPO) 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.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2009 and 2008, the Foundation was the owner of twenty-seven and twenty-five agency endowment funds with a combined value of \$4,995,289 and \$4,118,761, respectively. The following table summarizes activity in such funds during the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<u>Agency endowment fund balances at beginning of year as previously reported</u>	4,118,761	3,568,506
Reclassification of fund balances	<u>-</u>	<u>299,454</u>
<u>Adjusted agency endowment fund balances at beginning of year</u>	4,118,761	3,867,960
Contributions	195,092	2,134,476
Investment income	103,848	77,221
Unrealized and realized investment losses (net)	690,596	(1,818,506)
Grants	(72,206)	(109,619)
Administrative expenses	<u>(40,802)</u>	<u>(32,771)</u>
<u>Agency endowment fund balances at year end</u>	<u>4,995,289</u>	<u>4,118,761</u>

7. **Endowed Net Assets**

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

A spending rate is determined by the Foundation's Board of Directors. The rate is currently 4.0%. This determination is made with consideration given to market conditions and the spending levels of peer institutions. The spending rate approved by the Board is applied to the twelve-quarter moving average market value of the pooled assets by fund. State law and the Foundation's spending policy dictate that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending.

The Foundation classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment funds net asset composition as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, as adjusted December 31, 2008	(821,148)	(1,041,662)	15,894,296	14,031,486
Contributions	-	-	14,234	14,234
Income on long-term investments	38,509	59,001	942	98,452
Net appreciation	281,537	423,776	1,958,516	2,663,829
Expenses	(17,730)	(28,541)	-	(46,271)
Released from restrictions	<u>-</u>	<u>(1,767)</u>	<u>-</u>	<u>(1,767)</u>
Endowment net assets, December 31, 2009	<u>(518,832)</u>	<u>(589,193)</u>	<u>17,867,988</u>	<u>16,759,963</u>

8. **Management and General Expenses**

The management and general expenses incurred by the Foundation for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Community programs	9,223	4,667
Depreciation	2,871	3,208
Dues and subscriptions	10,171	10,970
Equipment rental and maintenance	11,577	12,765
Insurance	44,281	43,874
Legal and accounting	43,467	36,840
Life insurance expense	3,500	3,500
Miscellaneous	2,475	22,875

**8. Management and General Expenses (Continued)**

	<u>2009</u>	<u>2008</u>
Office supplies and expense	28,754	24,261
Parking	6,180	5,358
Payroll taxes	22,787	22,054
Postage	3,857	4,582
Printing	14,419	14,027
Public relations	7,047	8,466
Rent	29,025	27,939
Retirement plan expense	12,727	7,247
Salaries	292,116	285,021
Seminars and travel	16,889	18,197
Telephone	<u>3,676</u>	<u>3,197</u>
	<u>565,042</u>	<u>559,048</u>

**9. Leases**

The Foundation leases office space under an operating lease which expires on March 31, 2011. Future minimum lease requirements are presented below:

2010	27,476
2011	<u>6,869</u>
	<u>34,345</u>

**10. Retirement Plan**

Effective January 1, 2003, the assets of the 401(k) plan were rolled into a new 403(b) retirement plan. The 403(b) plan covers employees who have completed one year of eligibility service and are at least twenty-one years old. The Foundation matches employee contributions up to 6% of eligible wages. Participants are fully vested in employer contributions after three years of service. The Foundation contributed \$12,727 and \$7,247 to the 403(b) plan for the years ended December 31, 2009 and 2008, respectively.

Also effective January 1, 2003, the Foundation implemented a tax-deferred annuity plan. Participation in this plan is voluntary and the Foundation makes no contributions. Employees may begin participating in this plan on the first of the month following employment at the Foundation.

**11. Expenses of Specific Funds**

The expenses of specific funds incurred by the Foundation for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Accounting and other professional fees	7,915	6,580
Financial consultant fees	67,000	54,140
Fiduciary fees	181,333	210,906
Real estate expense	19,992	41,571
Mineral expense	11,027	11,857
Federal income tax-Betty Stagg Fund	1,484	-
Miscellaneous	<u>4,901</u>	<u>2,397</u>
	<u>293,652</u>	<u>327,451</u>

12. **Condensed Financial Statements of Annie Lowe Stiles Trust**

Financial information pertaining only to the Annie Lowe Stiles Trust follows for the years ended December 31, 2009 and 2008:

**Statement of Financial Position**

	<u>2009</u>	<u>2008</u>
Assets:		
Investments-Stiles trust	<u>7,277,563</u>	<u>6,354,722</u>
Total assets	<u>7,277,563</u>	<u>6,354,722</u>
Temporarily restricted net assets	<u>7,277,563</u>	<u>6,354,722</u>

**Statement of Activities**

	<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Income on long-term investments	-	84,558	84,558
Other investment income	-	1,008,284	1,008,284
Net realized and unrealized gains on long-term investments	<u>-</u>	<u>1,111,157</u>	<u>1,111,157</u>
Total revenues and gains	-	2,203,999	2,203,999
Net assets released from restrictions	<u>1,281,158</u>	<u>(1,281,158)</u>	<u>-</u>
Total revenues, losses and other support	1,281,158	922,841	2,203,999
Expenses of specific funds	(163,061)	-	(163,061)
Distributions	<u>(1,118,097)</u>	<u>-</u>	<u>(1,118,097)</u>
Change in net assets	-	922,841	922,841
Net assets at beginning of year	<u>-</u>	<u>6,354,722</u>	<u>6,354,722</u>
Net assets at end of year	<u>-</u>	<u>7,277,563</u>	<u>7,277,563</u>
	<u>2008</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Income on long-term investments	-	104,187	104,187
Other investment income	-	617,319	617,319
Net realized and unrealized (losses) on long-term investments	<u>-</u>	<u>(2,553,623)</u>	<u>(2,553,623)</u>
Total revenues and gains	-	(1,832,117)	(1,832,117)

**12. Condensed Financial Statements of Annie Lowe Stiles Trust (Continued)**

	2008		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets released from restrictions	<u>934,634</u>	<u>(934,634)</u>	<u>-</u>
Total revenues, losses and other support	934,634	(2,766,751)	(1,832,117)
Expenses of specific funds	(125,650)	-	(125,650)
Distributions	<u>(808,984)</u>	<u>-</u>	<u>(808,984)</u>
Change in net assets	-	(2,766,751)	(2,766,751)
Net assets at beginning of year	<u>-</u>	<u>9,121,473</u>	<u>9,121,473</u>
Net assets at end of year	<u>-</u>	<u>6,354,722</u>	<u>6,354,722</u>

The distributions of \$1,118,097 and \$808,984 from the Trust to the Foundation for the years ended December 31, 2009 and 2008, respectively, were eliminated in consolidation.

**13. Subsequent Events**

The Foundation is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Foundation performed such an evaluation through April 9, 2010, the date which the financial statements were available to be issued, and noted the following subsequent event.

On January 4, 2010, the Board of Directors adopted a resolution to approve the third Restatement of the Articles of Incorporation. Significant changes include a change of the name of the corporation to The Community Foundation of North Louisiana and a change in the scope of service area. The service area was expanded to include Bienville, Claiborne, DeSoto, Jackson, Lincoln, Morehouse, Natchitoches, Ouachita, Red River, Sabine, Union and Webster Parishes in addition to Caddo and Bossier Parishes.