

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

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD MCELROY & VESTAL

LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
SPENCER BERNARD, JR., CPA
H. Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA
ROY E. PRESTWOOD, CPA

A. D. JOHNSON, JR., CPA
BENJAMIN C. WOODS, CPA/ABV, CVA
ALICE V. FRAZIER, CPA
MELISSA D. MITCHAM, CPA, CFP
OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
RON W. STEWART, CPA, APC

April 30, 2009

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

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of The Community Foundation of Shreveport-Bossier as of December 31, 2008, and the related statements of activities and cash flows for the year 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 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 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, 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 State of America.

Heard, McElroy + Vestal, LLP

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A PROFESSIONAL SERVICES FIRM
SHREVEPORT • WEST MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

A S S E T S

Cash and cash equivalents	59,710
Prepaid expenses and other assets	15,995
Investments-trusts (excluding Stiles)-Note 4	9,668,497
Investments-Stiles trust-Note 4	6,354,722
Investments-long-term bank pool-Note 4	33,288,822
Investments-short-term bank pool-Note 4	7,252,644
Investments-Merrill Lynch pool-Note 4	1,000,842
Investments-other-Note 4	210,530
Interest in charitable remainder trusts and estate	1,422,414
Fixed assets-Note 5	9,820
Cash surrender value of life insurance	<u>99,033</u>
Total assets	<u>59,383,029</u>

LIABILITIES AND NET ASSETS

Accounts payable and advance dues	185,245
Grants payable-Note 6	1,021,689
Funds held as agency endowments-Note 3	<u>4,118,761</u>
Total liabilities	5,325,695
Net assets:	
Unrestricted:	
Donor advised	5,752,530
Field of interest	10,125,006
Scholarship	307,929
Designated	418,257
Undesignated	<u>16,116,447</u>
Total unrestricted	32,720,169
Temporarily restricted	7,451,765
Permanently restricted	<u>13,885,400</u>
Total net assets	<u>54,057,334</u>
Total liabilities and net assets	<u>59,383,029</u>

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

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<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	101,215	-	-	101,215
Other	2,974,029	945,275	554,755	4,474,059
Income on long-term investments	1,122,079	107,316	1,562	1,230,957
Other investment income	1,159,462	609,319	-	1,768,781
Net unrealized and realized losses on long-term investments-Note 4	(13,112,114)	(2,620,175)	(4,913,278)	(20,645,567)
Other income	<u>156,293</u>	<u>-</u>	<u>-</u>	<u>156,293</u>
Total revenues and losses	(7,599,036)	(958,265)	(4,356,961)	(12,914,262)
Net assets released from restrictions	942,969	(942,969)	-	-
Net assets reclassified	<u>-</u>	<u>166</u>	<u>(166)</u>	<u>-</u>
Total revenues, losses, and other support	(6,656,067)	(1,901,068)	(4,357,127)	(12,914,262)
Expenses:				
Management and general-Note 8	559,048	-	-	559,048
Grants	3,582,007	-	-	3,582,007
Expenses of specific funds-Note 11	<u>327,451</u>	<u>-</u>	<u>-</u>	<u>327,451</u>
Total expenses	<u>4,468,506</u>	<u>-</u>	<u>-</u>	<u>4,468,506</u>
<u>Change in net assets</u>	(11,124,573)	(1,901,068)	(4,357,127)	(17,382,768)
<u>Net assets at beginning of year as previously reported</u>	43,848,737	9,648,292	18,242,527	71,739,556
<u>Reclassification of net assets</u>	<u>(3,995)</u>	<u>(295,459)</u>	<u>-</u>	<u>(299,454)</u>
<u>Adjusted net assets at beginning of year</u>	<u>43,844,742</u>	<u>9,352,833</u>	<u>18,242,527</u>	<u>71,440,102</u>
<u>Net assets at end of year</u>	<u>32,720,169</u>	<u>7,451,765</u>	<u>13,885,400</u>	<u>54,057,334</u>

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

THE COMMUNITY FOUNDATION OF SHREVEPORT-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Cash flows from operating activities:</u>	
Change in net assets	(17,382,768)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,208
(Increase) in interest in trusts and estate	(1,380,414)
Decrease in prepaid expenses and other assets	3,005
Increase in accounts payable and advance dues	111,014
(Decrease) in grants payable	(2,840)
Net unrealized and realized losses on long-term investments	<u>20,645,567</u>
Net cash provided by operating activities	1,996,772
<u>Cash flows from investing activities:</u>	
Proceeds from sale of investments	13,939,949
Purchase of investments	(18,080,666)
Purchase of equipment and furnishings	<u>(6,429)</u>
Net cash (used) by investing activities	(4,147,146)
<u>Cash flows from financing activities:</u>	
Increase in funds held as agency endowments	<u>2,069,307</u>
Net cash provided by financing activities	<u>2,069,307</u>
<u>Net decrease in cash and cash equivalents</u>	(81,067)
<u>Cash and cash equivalents at beginning of year</u>	<u>140,777</u>
<u>Cash and cash equivalents at end of year</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, 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.

The Foundation has adopted Statements of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," and No. 117, "Financial Statements for Not-for-Profit Organizations," which establish standards of basic accounting and reporting for not-for-profit organizations.

Under these provisions, 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.

2. Summary of Significant Accounting Policies. (Continued)

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.

(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. The Foundation elected in 2008 to defer until 2009 the provisions of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes." It has not adopted any uncertain tax positions with respect to those amounts reported in its 2008 financial statements.

(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 4.

(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.

3. Agency Endowment Funds.

During 2000, the Foundation adopted Statement of Financial Accounting Standard No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" (FAS 136). This statement 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. FAS 136

3. Agency Endowment Funds. (Continued)

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 FAS 136, 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, 2008, the Foundation was the owner of twenty-five agency endowment funds with a combined value of \$4,118,761. The following table summarizes activity in such funds during the year ended December 31, 2008:

<u>Agency endowment fund balances at 1/1/08 as previously reported</u>	3,568,506
Reclassification of fund balances	<u>299,454</u>
<u>Adjusted agency endowment fund balances at 1/1/08</u>	3,867,960
Contributions	2,134,476
Investment income	77,221
Unrealized and realized investment losses (net)	(1,818,506)
Grants	(109,619)
Administrative expenses	<u>(32,771)</u>
<u>Agency endowment fund balances at 12/31/08</u>	<u>4,118,761</u>

4. Investments.

Investments-trusts, investments-bank pools, and investments-other are presented below with their respective costs and market values at December 31, 2008:

	<u>Cost</u>	<u>Market</u>
Investments-trusts (excluding Stiles):		
Cash and cash equivalents	348,740	348,740
Equities	5,483,718	4,441,002
Fixed	4,286,308	4,291,534
Real estate and mineral interests	<u>565,217</u>	<u>587,221</u>
	<u>10,683,983</u>	<u>9,668,497</u>
Investments-Stiles trust:		
Cash and cash equivalents	315,863	315,863
Accrued income	16,170	16,170
Equity funds	3,080,000	2,019,967
Bond fund	600,000	581,089
Hedge fund*	515,000	398,328
Real estate and mineral interests	<u>1,341,373</u>	<u>3,023,305</u>
	<u>5,868,406</u>	<u>6,354,722</u>

4. **Investments.** (Continued)

	<u>Cost</u>	<u>Market</u>
Investments-long-term bank pool:		
Cash and cash equivalents	693,368	693,368
Equities	25,651,048	16,883,763
Fixed	7,126,613	6,930,496
Hedge funds**	3,800,000	3,835,770
Real estate funds***	3,692,950	2,050,449
Other	<u>3,610,475</u>	<u>2,894,976</u>
	<u>44,574,454</u>	<u>33,288,822</u>
Investments-short-term bank pool:		
Cash and cash equivalents	<u>7,252,644</u>	<u>7,252,644</u>
Investments-Merrill Lynch pool:		
Cash and cash equivalents	<u>1,000,842</u>	<u>1,000,842</u>
Investments-other	<u>152,204</u>	<u>210,530</u>

* 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 is \$3.75 million. 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

4. Investments. (Continued)

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 is \$761,658.

Net realized losses were \$739,568 and net unrealized losses were \$19,905,999 for 2008.

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

The Foundation adopted Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" (Statement 157), as of January 1, 2008. Statement 157 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- 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, 2008 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
December 31, 2008:				
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>

4. **Investments.** (Continued)

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

Balance-January 1, 2007	4,859,969
Gains (losses) realized and unrealized	(2,279,413)
Purchases, issuances, and settlements	3,703,991
Transfers in and/or out of Level 3, net	-
Balance-December 31, 2008	<u>6,284,547</u>

5. **Fixed Assets.**

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

Equipment and furnishings	82,054
<u>Less-accumulated depreciation</u>	<u>(72,234)</u>
Book value-fixed assets	<u>9,820</u>

Depreciation expense was \$3,208 for the year ended December 31, 2008.

6. **Commitments.**

The Foundation has approved, as of December 31, 2008, grants of \$1,021,689 payable in 2009.

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

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

Statement of Financial Position

Assets:	
Investments-Stiles trust	<u>6,354,722</u>
Total assets	<u>6,354,722</u>
Temporarily restricted net assets	<u>6,354,722</u>

Statement of Activities

	<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>(2,553,623)</u>	<u>(2,553,623)</u>
Total revenues and gains	-	<u>(1,832,117)</u>	<u>(1,832,117)</u>
Net assets released from restrictions	<u>934,634</u>	<u>(934,634)</u>	<u>-</u>

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

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 \$808,984 from the Trust to the Foundation for the year ended December 31, 2008 were eliminated in consolidation.

8. **Management and General Expenses.**

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

Community programs	4,667
Depreciation	3,208
Dues and subscriptions	10,970
Equipment rental and maintenance	12,765
Insurance	43,874
Legal and accounting	36,840
Life insurance expense	3,500
Miscellaneous	22,875
Office supplies and expense	24,261
Parking	5,358
Payroll taxes	22,054
Postage	4,582
Printing	14,027
Public relations	8,466
Rent	27,939
Retirement plan expense	7,247
Salaries	285,021
Seminars and travel	18,197
Telephone	<u>3,197</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:

2009	27,476
2010	27,476
2011	6,869
2012	<u>-</u>
	<u>61,821</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 \$7,247 to the 403(b) plan for the year ended December 31, 2008.

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 year ended December 31, 2008 are as follows:

Accounting and other professional fees	6,580
Financial consultant fees	54,140
Fiduciary fees	210,906
Real estate expense	41,571
Mineral expense	11,857
Miscellaneous	<u>2,397</u>
	<u>327,451</u>