

WIREGRASS FOUNDATION  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2007  
TOGETHER WITH AUDITORS' REPORT

WIREGRASS FOUNDATION  
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## INDEPENDENT AUDITORS' REPORT

■ To the Board of Directors of  
Wiregrass Foundation

We have audited the accompanying statement of financial position – income tax basis of Wiregrass Foundation as of December 31, 2007, and related statements of activities and cash flows – income tax basis for the year then ended. These financial statements are the responsibility of the Organization'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.

As described in note A, these financial statements were prepared on the basis of accounting Wiregrass Foundation uses for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wiregrass Foundation as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in note A.

  
ParsonsGroup, LLC

Dothan, Alabama  
March 4, 2008

Wiregrass Foundation  
Statement of Financial Position - Income Tax Basis  
December 31, 2007

ASSETS	
Cash and cash equivalents	\$ 6,473,665
Investments	98,879,524
Property and equipment	539,848
Deposits	<u>500</u>
TOTAL ASSETS	<u>\$ 105,893,537</u>
LIABILITIES	
Accounts payable	\$ 12,946
Excise tax payable	<u>20,896</u>
TOTAL LIABILITIES	33,842
NET ASSETS	
Unrestricted	<u>105,859,695</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 105,893,537</u>

See accompanying notes.

Wiregrass Foundation  
Statement of Activities - Income Tax Basis  
Year Ended December 31, 2007

Unrestricted Revenues and Gains	
Interest and dividend income	\$ 3,122,344
Realized investment gains and losses	<u>9,004,147</u>
Total Unrestricted Revenues and Gains	<u>12,126,491</u>
Expenses	
Program services - grants paid	3,014,399
Management and general	717,915
Investment expenses	<u>636,780</u>
Total Expenses	<u>4,369,094</u>
Excess of Revenues over Expenses	7,757,397
Unrestricted net assets at beginning of year	100,956,862
Other increases in net assets:	
Assets transferred from Hospice Services	39,151
Unrealized investment gains and losses	<u>(2,893,715)</u>
Unrestricted net assets at end of year	<u><u>\$ 105,859,695</u></u>

See accompanying notes.

Wiregrass Foundation  
Statement of Cash Flows - Income Tax Basis  
Year Ended December 31, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of revenues over expenses	\$ 7,757,397
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	11,507
Decrease in accrued interest	5,470
Increase (decrease) in operating liabilities	(196,127)
Cash transfers from Hospice Services	39,151
Realized investment gains/losses	(9,004,147)
Net Cash Provided by Operating Activities	<u>(1,386,749)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(86,337,583)
Proceeds from sales of investments	88,445,379
Purchase of property and equipment	(509,738)
Net Cash Provided by Investing Activities	<u>1,598,058</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
	--
Net Increase in Cash and Cash Equivalents	211,309
Beginning Cash and Cash Equivalents	<u>6,262,356</u>
Ending Cash and Cash Equivalents	<u><u>\$ 6,473,665</u></u>

See accompanying notes.

Wiregrass Foundation  
Notes to Financial Statements  
For the Year Ended December 31, 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Wiregrass Foundation is a private, non-operating foundation. The Foundation's purpose is to fund programs that will have a significant impact on the quality of health, education, and quality of life in Dothan, Alabama and the surrounding counties. They accomplish this purpose by providing grants to other non-profit agencies that demonstrate a need for funding to provide programs that help meet these goals.

**Basis of Accounting**

The financial statements of Wiregrass Foundation have been prepared on the income tax basis of accounting. This basis reflects the financial position of the Organization at December 31, 2007, and the changes in its net assets and its cash flows for the year then ended as they are reported on their 2006 form 990-PF. In accordance with this basis of accounting, unrealized gains and losses from investments are accounted for as changes in net assets, not as revenue increases or decreases. Also in accordance with the income tax basis of accounting grants approved but not paid at year end are not recorded as expenses or liabilities.

**Revenue**

The Organization's revenue is derived from earnings from investments consisting of interest income, dividend income, and gains and losses resulting from sales of investments.

**Estimates**

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

**Concentrations**

The Organization is located in Dothan, Alabama. They have identified their grant making focus to be organizations that seek to improve health, education, and quality of life for the population residing within a 50 mile radius of Dothan, Alabama.

The assets of the Organization are concentrated in cash and investments. Accordingly, their income is dependent on the economic growth and stability of the financial market. Deposits in excess of the FDIC insurance coverage limit are common.

Wiregrass Foundation  
Notes to Financial Statements  
For the Year Ended December 31, 2007

**Property and Equipment**

Acquisitions of property and equipment with a useful life exceeding one year are capitalized. Property and equipment are carried as cost. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets, generally ranging from three to seven years.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under 501(c)3 of the Internal Revenue Code. They are classified by the Internal Revenue Service as a non-operating, private foundation. Excise taxes on net investment income are paid by the Organization as a component of the annual 990-PF tax filing. The amount of excise tax on net investment income for 2007 was \$ 114,605, of which \$ 93,709 was paid and \$ 20,896 was accrued at year end. The Organization had no unrelated business income subject to income tax for the year.

**Investments**

Investments are reported at their fair values in the statement of financial position – income tax basis. Unrealized gains and losses are recorded as changes in unrestricted net assets. Investment income composed of interest, dividends, and gains/losses from the sale of investments is recorded as revenue in the statement of activities – income tax basis.

**Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**NOTE B – INVESTMENTS**

Investments as of December 31, 2007, are summarized as follows:

Unrestricted, all carried at fair value:

U. S. Treasury securities	\$ 15,682,102
Equities	64,385,932
Bonds	13,415,378
Alternative investments	<u>5,396,112</u>
Total	<u>\$ 98,879,524</u>



Wiregrass Foundation  
Notes to Financial Statements  
For the Year Ended December 31, 2007

The following schedule summarizes the investment return and its classification in the statement of activities:

Unrestricted:

Reported as revenue	
Interest and dividends	\$ 3,122,344
Realized gains and losses	<u>9,004,147</u>
	12,126,491
Reported as other increase in net assets	
Unrealized gains and losses	<u>-2,893,715</u>
Total investment return	<u>\$ 9,232,776</u>

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Land	\$ 504,790
Furniture and fixtures	24,918
Equipment	8,917
Computer software	10,481
Leasehold improvements	<u>11,831</u>
	560,937
Accumulated depreciation	<u>-21,089</u>
	<u>\$ 539,848</u>

Depreciation expense for the year was \$ 11,507.

**NOTE D – OPERATING LEASE COMMITMENT**

As of May 1, 2005, the Organization entered into a five-year operating lease for its office facility. The lease requires rent of \$ 18,000 annually. The lease grants the Organization the right to two five-year options at the end of the initial term. The Organization also leases certain equipment under a monthly operating lease. Rent expense for 2007 as a result of all operating leases was \$ 19,679.

Future minimum lease payments are as follows:

Year ending December 31,	
2008	\$ 18,000
2009	18,000
2010	6,000
2011	0
2012	<u>0</u>
Total	<u>\$ 42,000</u>

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Notes to Financial Statements  
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**NOTE E – EMPLOYEE BENEFIT PLAN**

The Organization has a profit sharing plan that covers all employees after meeting certain eligibility requirements. Contributions to the plan are at the discretion of the Board of Directors. During 2007, contributions to the plan were \$ 30,385.

**NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Equities, bonds, and U S Treasury securities: The fair values of investments are based on quoted market prices for those or similar investments.
- Alternative investments: The fair value of the alternative investments is the value provided by the broker.

The estimated fair values of the Foundation's financial instruments are as follows:

	<b>Cost</b>	<b>Fair Value</b>	<b>Carrying Amount</b>
Cash and cash equivalents	\$ 6,473,665	\$ 6,473,665	\$ 6,473,665
Investments:			
Equities	62,559,082	64,385,932	64,385,932
Corporate bonds	8,490,083	8,620,847	8,620,847
Asset backed bonds	269,974	274,977	274,977
Government bonds	7,672,573	7,967,111	7,967,111
Mortgage backed bonds	12,004,076	12,234,545	12,234,545
Alternative investments	4,999,998	5,396,112	5,396,112

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For the Year Ended December 31, 2007

**NOTE G – ALTERNATIVE INVESTMENTS**

The Foundation has invested in alternative investments that are classified as hedge access accounts through their broker. The cost of these amounts and the fair value as determined by the broker are listed above in Note F. The Foundation's purpose in investing in this type of account is to diversify their portfolio and maximize earnings. The Board of Directors in its investment policy has determined a target range of 5% but no more than 10% of Foundation's assets be invested in this type of account. For 2007, these accounts had unrealized gains in the amount of \$ 315,836. This increase is reported in the Statement of Activities – Income Tax Basis as an increase to unrestricted net assets.

**NOTE H – GRANTS PAYABLE**

As stated in Note A, these financial statements are prepared on the income tax basis of accounting. Accordingly, grants that have been approved for payment but not paid at year end are not recorded. At December 31, 2007 the amount of grants that were approved for future payment totaled \$ 865,116.