

WIREGRASS FOUNDATION, INC.

DECEMBER 31, 2009

FINANCIAL STATEMENTS

WIREGRASS FOUNDATION, INC.
DOTHAN, ALABAMA

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DOTHAN, ALABAMA

Montgomery, Alabama

Prattville, Alabama

Wetumpka, Alabama

Murfreesboro, Tennessee

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wiregrass Foundation, Inc.
Dothan, Alabama

We have audited the accompanying statement of assets, liabilities, and net assets - income tax basis of Wiregrass Foundation, Inc. (a nonprofit organization) as of December 31, 2009, and related statements of revenues, expenses, and other changes in net assets and cash flows - income tax basis for the year then ended. These financial statements are the responsibility of the Wiregrass Foundation, Inc.'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 1, these financial statements were prepared on the basis of accounting Wiregrass Foundation, Inc. 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 assets, liabilities, and net assets of Wiregrass Foundation, Inc. as of December 31, 2009, and its revenues, expenses, and other changes in net assets and cash flows for the year then ended, on the basis of accounting described in Note 1.

Jackson Thornton & Co. PC

Dothan, Alabama
March 24, 2010

WIREGRASS FOUNDATION, INC.
DOTHAN, ALABAMA

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - INCOME TAX BASIS
AS OF DECEMBER 31, 2009

ASSETS	
Cash and cash equivalents	\$ 1,043,210
Prepaid expenses	7,130
Investments	87,462,587
Property and equipment (net of accumulated depreciation)	2,263,778
Excise tax receivable	5,521
Other assets	<u>31,060</u>
Total assets	<u>\$ 90,813,286</u>
LIABILITIES AND NET ASSETS	
Accrued expenses	<u>\$ 2,039</u>
Total liabilities	<u>2,039</u>
Net assets:	
Unrestricted	<u>90,811,247</u>
Total net assets	<u>90,811,247</u>
Total liabilities net assets	<u>\$ 90,813,286</u>

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

WIREGRASS FOUNDATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET ASSETS - INCOME TAX BASIS
AS OF DECEMBER 31, 2009

CHANGE IN UNRESTRICTED NET ASSETS:

Revenues, gains, and net assets:	
Interest and dividend income	\$ 2,151,563
Realized gains and (losses)	(5,744,038)
Total revenues, gains, and net assets	<u>(3,592,475)</u>
Expenses and losses:	
Grants paid	2,645,703
Other program expenses	179,549
Management and general	905,550
Loss on disposal of fixed assets	5,566
Investment expenses	<u>472,945</u>
Total expenses and losses	<u>4,209,313</u>
DECREASE IN UNRESTRICTED NET ASSETS	(7,801,788)
UNREALIZED INVESTMENT GAINS AND LOSSES	190,957
NET ASSETS AT BEGINNING OF YEAR	<u>98,422,078</u>
NET ASSETS AT END OF YEAR	<u>\$ 90,811,247</u>

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

WIREGRASS FOUNDATION, INC.

STATEMENT OF CASH FLOWS
INCOME TAX BASIS
AS OF DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (7,801,788)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	63,859
Realized losses	5,744,038
Loss on transfer of fixed assets	913
Loss on disposal of fixed assets	5,566
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:	
Prepaid expenses	(7,130)
Other assets	(30,560)
Accounts payable and accrued expenses	3,908
	<u> </u>
Net cash used for operating activities	<u>(2,021,194)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(1,245,111)
Purchase of investments	(31,170,180)
Proceeds from the sale and maturity of investments	32,804,975
	<u> </u>
Net cash provided by investing activities	<u>389,684</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,631,510)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,674,720</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,043,210</u></u>

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

WIREGRASS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the Wiregrass Foundation (Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles consistent with the income tax basis of accounting and have been consistently applied in the preparation of the financial statements.

Nature of operations - The 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. The Foundation accomplishes 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 the Foundation have been prepared on the income tax basis of accounting. This accrual basis reflects the financial position of the Foundation at December 31, 2009, and the changes in its net assets and its cash flows for the year then ended as they are reported on their 2009 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, grants approved but not paid at year end are not recorded as expenses or liabilities.

The significant accounting policies followed by the Foundation are summarized as follows:

Use of 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 Foundation is located in Dothan, Alabama and has identified its 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 Foundation are concentrated in cash and investments. Accordingly, its 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, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Financial statement presentation - Financial statement presentation also follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets - unrestricted, temporarily restricted, and permanently restricted. There were no temporarily restricted or permanently restricted net assets as of December 31, 2009.

Cash and cash equivalents - For cash flow statement purposes, the Foundation considers all short-term, highly liquid investments to be cash equivalents that are readily convertible to known amounts of cash, and so near their maturities that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents include only operating accounts.

Investments - As allowed by the IRS, the Foundation has elected to follow generally accepted accounting principles for income tax reporting of investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the Foundation's financial statements. Unrealized gains and losses are recorded as changes in unrestricted net assets. Investment income composed of interest, dividends, and gain/losses from the sale of investments is recorded as revenue in the Foundation's financial statements.

Other investments are also reported at fair value. Other investments include partnership interests and certain equity securities that do not have a readily determinable fair value. The fair value of limited partnership investments (alternative investments) are estimated by management. Management develops its estimate based on its understanding of the nature of the underlying investments, the portfolio strategy of the alternative investments, and the method and significant assumptions used by the fund manager to value the underlying investments.

Property and equipment - Buildings, furniture and fixtures, equipment, computer software, and leasehold improvements are carried at historical cost and are depreciated under the straight-line method over the estimated useful lives of the respective assets. Major renewals and improvements are capitalized while normal repairs and maintenance are expensed in the period incurred.

WIREGRASS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Property and equipment consists of the following:

Buildings	\$ 1,146,532
Furniture and fixtures	249,371
Equipment	67,173
Computer software	13,904
Leasehold improvements	1,298
Accumulated depreciation	<u>(86,596)</u>
	1,391,682
Land	<u>872,096</u>
 Total property and equipment	 <u>\$ 2,263,778</u>

Depreciation expense for the year ended December 31, 2009 amounted to \$63,859.

Income taxes - The Foundation is a not-for-profit organization that is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state regulations. The Foundation is classified by the Internal Revenue Service as a non-operating, private foundation. Excise taxes on net investment income are paid by the Foundation as a component of the annual Form 990-PF tax filing. The amount of excise tax on net investment income for 2009 was \$16,496. The Foundation had no unrelated business income subject to income tax for the year. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

NOTE 2 - INVESTMENTS:

Investments consist of the following at December 31, 2009:

	<u>FAIR VALUE</u>
Cash and cash equivalents	\$ 2,995,016
Fixed income securities	4,281,874
Limited partnerships	9,537,932
Mutual funds	20,209,852
Marketable equity securities	<u>50,437,913</u>
 Totals	 <u>\$ 87,462,587</u>

WIREGRASS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - INVESTMENTS: (continued)

As discussed in Note 1, the Foundation carries all investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values.

The Foundation invests in Limited Partnerships, which are commonly known as alternative investments. These alternative investments make indirect and direct investments in complex financial instruments whose value is derived from an underlying security, commodity, or asset. Examples of these types of financial instruments include, but are not limited to futures and forwards contracts, options, and securities sold, not yet purchased, which are all intended to hedge against changes in the market value of investments.

These investments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, need for direct oversight, dependence on key individuals, emphasis on speculative investments, and transparency of portfolio composition. Because alternative investments are not readily marketable, their estimated value is subject to some degree of uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

The Foundation determines, for disclosure purposes, the fair value of its investments in marketable securities and limited partnerships through application of accounting guidance related to fair value measurements. Information related to the Foundation's assets measured at fair value on a recurring basis at December 31, 2009 is as follows:

	FAIR VALUE	QUOTED PRICES		
		IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Cash and cash equivalents	\$ 2,995,016	\$ 2,995,016		
Fixed income securities	4,281,874	4,281,874		
Limited partnerships	9,537,932			\$ 9,537,932
Mutual funds	20,209,852	20,209,852		
Marketable equity securities	50,437,913	50,437,913		
Total assets	<u>\$ 87,462,587</u>	<u>\$ 77,924,655</u>	<u>\$ -</u>	<u>\$ 9,537,932</u>

WIREGRASS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - INVESTMENTS: (continued)

Fair values for the investment in cash and cash equivalents, fixed income securities, mutual funds, and marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for the investment in limited partnerships are determined by reference to the net assets values of the funds and the nature and duration of the restrictions on redemption.

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3 inputs) are as follows:

Limited partnerships:

January 1, 2009	\$ 8,440,097
Purchases, sales, issuances, and settlements (net)	2,059,902
Net unrealized gain/(loss) on interests in limited partnerships	<u>(962,067)</u>
December 31, 2009	<u>\$ 9,537,932</u>

NOTE 3 - RETIREMENT PLAN:

The Foundation 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 2009, contributions to the plan were \$52,393.

NOTE 4 - CONCENTRATIONS OF CASH AND CREDIT RISK:

The Foundation maintains its cash balances in certain statewide bank and brokerage firm accounts. These cash balances are insured under provisions of the Federal Deposit Insurance Corporation (FDIC) and Security Investor Protection Corporation (SIPC). The balances generally exceed the insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 5 - GRANTS PAYABLE:

As discussed in Note 1, the Foundation's 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, 2009, the amount of grants that were approved for future payment totaled \$3,313,819.

WIREGRASS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ENDOWMENT:

The Foundation's endowment consists of approximately 13 individual funds established for a variety of purposes. Its endowment includes only funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. There are no net assets with donor imposed restrictions and therefore all net assets are classified as unrestricted.

Changes in Endowment Net Assets for the Year Ended December 31, 2009:

	UNRESTRICTED
Endowment net assets, beginning of year	\$ 75,406,281
Investment return:	
Investment income	2,151,563
Net appreciation (realized and unrealized)	13,691,101
Total investment return	15,842,664
Appropriation of endowment assets for expenditure	(3,786,358)
Endowment nets assets, end of year	\$ 87,462,587

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to significantly contribute to the spending policy of 5% per annum while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to assume moderate level of investment risk while producing results that exceed the price and yield results of the following benchmarks as applicable: S&P 500 Stock Index, Russell 2500 Stock Index, Morgan Stanley Capital International Europe, Australia, and Far East International Stock Index, Merrill Lynch Broad Market Bond Index, Wilshire Real Estate Securities Index, and HFRI Fund of Funds Composite. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5.5 percent annually. Actual returns in any given year may vary from this amount.

WIREGRASS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

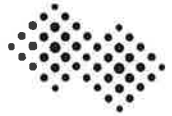
NOTE 6 - ENDOWMENT: (continued)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Objectives Relate to Spending Policy - As a private foundation, the Foundation is required to distribute annually a minimum amount of its funds, equal to approximately 5% of the fair value of the Foundation's non-charitable use of assets as of the end of the calendar year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of one half of one percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the board-designated endowment assets as well as to provide additional real growth through investment return.

NOTE 7 - SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through March 24, 2010, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2009, have been incorporated into these financial statements.



DOTHAN, ALABAMA

Montgomery, Alabama

Prattville, Alabama

Wetumpka, Alabama

Murfreesboro, Tennessee

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

The Board of Directors
Wiregrass Foundation, Inc.
Dothan, Alabama

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jackson Thornton & Co. PC

Dothan, Alabama
March 24, 2010

WIREGRASS FOUNDATION, INC.

SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES
INCOME TAX BASIS
AS OF DECEMBER 31, 2009

Advertising		\$	1,440
Accounting			48,100
Auto expense			3,737
Bank charges			2,674
Board retreat expense			1,528
Gifts			2,182
Cleaning expense			4,863
Contract labor			8,321
Computer expense			1,146
Consulting			54,463
Depreciation			63,859
Directors' fees			45,000
Dues and subscriptions			8,293
Insurance			28,809
Legal			502
Meals and entertainment			3,763
Meeting expense			6,778
Miscellaneous expense			12,237
Pest control			466
Postage			1,314
Printing			10,719
Retirement contribution			52,393
Rent			20,678
Repairs and maintenance			9,583
Salaries			429,071
Office supplies			9,519
Payroll taxes			30,559
Excise taxes			16,496
Telephone			8,282
Travel expense			11,526
Utilities			7,249
			7,249
Total management and general expenses		\$	905,550

See Independent Auditors' Report on supplementary information.

