

COMMUNITY FOUNDATION OF BROWARD, INC.

FINANCIAL STATEMENTS

June 30, 2008 and 2007

COMMUNITY FOUNDATION OF BROWARD, INC.
Fort Lauderdale, Florida

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Broward, Inc.
Fort Lauderdale, Florida

We have audited the accompanying statements of financial position of Community Foundation of Broward, Inc. as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Broward, Inc. as of June 30, 2008 and 2007, 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 States of America.

Crowe Horwath LLP
Crowe Horwath LLP

Fort Lauderdale, Florida
September 16, 2008

COMMUNITY FOUNDATION OF BROWARD, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 534,410	\$ 452,723
Investments, at market value	73,808,542	75,436,584
Property held for sale	3,022,610	-
Bequests receivable	11,900,000	4,420,000
Pledges receivable	420	169,543
Property and equipment, net	53,664	46,321
Assets under split-interest agreements	763,434	857,440
Prepaid expenses and other assets	<u>311,248</u>	<u>358,610</u>
Total assets	<u>\$ 90,394,328</u>	<u>\$ 81,741,221</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 117,272	\$ 84,993
Grants payable	1,063,245	1,379,504
Liabilities under split-interest agreements	616,463	606,800
Agency transactions payable	<u>9,486,945</u>	<u>9,969,153</u>
Total liabilities	<u>11,283,925</u>	<u>12,040,450</u>
Net assets		
Unrestricted	67,151,908	64,883,861
Temporarily restricted	<u>11,958,495</u>	<u>4,816,910</u>
Total net assets	<u>79,110,403</u>	<u>69,700,771</u>
Total liabilities and net assets	<u>\$ 90,394,328</u>	<u>\$ 81,741,221</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2008 and 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>
Support and Revenue:			
Contributions and bequests	\$ 5,103,583	\$ 11,900,420	\$ 17,004,003
Net realized and unrealized gains (losses) on investments	(2,670,629)	-	(2,670,629)
Interest and dividend income, net	1,134,349	(32,753)	1,101,596
Other revenue	92,978	-	92,978
Net assets released from restrictions	<u>4,657,160</u>	<u>(4,657,160)</u>	<u>-</u>
Total support and revenue	<u>8,317,441</u>	<u>7,210,507</u>	<u>15,527,948</u>
 Expenses:			
Grants and programs	5,242,317	-	5,242,317
Administrative	494,656	-	494,656
Donor development	<u>312,421</u>	<u>-</u>	<u>312,421</u>
Total expenses	<u>6,049,394</u>	<u>-</u>	<u>6,049,394</u>
 Change in value of split-interest agreements	<u>-</u>	<u>(68,922)</u>	<u>(68,922)</u>
 Change in net assets	2,268,047	7,141,585	9,409,632
 Net assets, beginning of year	<u>64,883,861</u>	<u>4,816,910</u>	<u>69,700,771</u>
 Net assets, end of year	<u>\$ 67,151,908</u>	<u>\$ 11,958,495</u>	<u>\$ 79,110,403</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
 STATEMENTS OF ACTIVITIES
 Years ended June 30, 2008 and 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>
Support and Revenue:			
Contributions and bequests	\$ 5,313,564	\$ 4,589,543	\$ 9,903,107
Net realized and unrealized gains (losses) on investments	8,283,032	-	8,283,032
Interest and dividend income, net	1,065,076	67,617	1,132,693
Other revenue	85,884	-	85,884
Net assets released from restrictions	<u>430,568</u>	<u>(430,568)</u>	<u>-</u>
Total support and revenue	<u>15,178,124</u>	<u>4,226,592</u>	<u>19,404,716</u>
Expenses:			
Grants and programs	4,721,796	-	4,721,796
Administrative	421,589	-	421,589
Donor development	<u>368,663</u>	<u>-</u>	<u>368,663</u>
Total expenses	<u>5,512,048</u>	<u>-</u>	<u>5,512,048</u>
 Change in value of split-interest agreements	 <u>-</u>	 <u>(64,268)</u>	 <u>(64,268)</u>
 Change in net assets	 9,666,076	 4,162,324	 13,828,400
 Net assets, beginning of year	 <u>55,217,785</u>	 <u>654,586</u>	 <u>55,872,371</u>
 Net assets, end of year	 <u>\$ 64,883,861</u>	 <u>\$ 4,816,910</u>	 <u>\$ 69,700,771</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ 9,409,632	\$ 13,828,400
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	10,632	10,490
Net realized and unrealized losses (gains) on investments	2,670,629	(8,283,032)
Change in assets and liabilities		
Bequests receivable	(10,502,610)	(4,208,070)
Pledges receivable	169,123	22,799
Assets under split-interest agreements	94,006	(40,220)
Prepaid expenses and other assets	47,362	(96,124)
Accounts payable and accrued expenses	32,279	(11,890)
Agency transactions payable	(120,856)	(373,509)
Grants payable	(316,259)	675,399
Liabilities under split-interest agreements	9,663	51,618
Net cash provided by operating activities	<u>1,503,601</u>	<u>1,575,861</u>
 Cash flows from investing activities		
Purchase of investments	(20,592,891)	(15,378,812)
Proceeds from the sale of investments	19,188,952	13,723,353
Purchase of property and equipment	<u>(17,975)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,421,914)</u>	<u>(1,655,459)</u>
 Net increase (decrease) in cash and cash equivalents	81,687	(79,598)
 Cash and cash equivalents, beginning of year	<u>452,723</u>	<u>532,321</u>
 Cash and cash equivalents, end of year	<u>\$ 534,410</u>	<u>\$ 452,723</u>

Supplemental disclosures for noncash financing activities

Net investment losses related to agency transactions were approximately \$361,000 for the year ended June 30, 2008. Net investment gains related to agency transactions were approximately \$1,264,000 for the year ended June 30, 2007.

Approximately \$3,023,000 was reclassified from a bequest receivable to property held for sale during the year ended June 30, 2008.

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 1 - ORGANIZATION AND OPERATIONS

The Community Foundation of Broward, Inc. (the "Foundation") was incorporated on December 17, 1984, under the laws of the State of Florida as a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and as a publicly supported charitable organization under Sections 509(a)(1) and 170(b)(1)(A)(vi). In addition, the Foundation is also exempt from state income taxes.

The Foundation operates two programs. The first program consists of soliciting, managing and distributing grants for charitable, scientific, educational, public and cultural purposes primarily in Broward County, Florida and provides educational resources to professional advisors and donors to advance philanthropy. The Foundation solicits contributions primarily from individuals, foundations and non-profit organizations, in Broward County. The second program is the Nonprofit Resource Center, which provides leadership, management, and technical training to nonprofit volunteers and staff as a general resource on issues facing the nonprofit sector.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements have been prepared using the accrual basis of accounting under the guidance of Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, and SFAS No. 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*.

Net assets: The Foundation is required, under SFAS No. 117, to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are defined as follows:

Unrestricted net assets - net assets available without restrictions imposed by the donor.

Temporarily restricted net assets - net assets subject to timing restrictions imposed by the donor. The conditions of these restrictions are met by the passage of time.

Permanently restricted net assets - net assets subject to donor imposed restrictions that the Foundation maintains the principal of the contributions in perpetuity. The Foundation has no permanently restricted assets as of June 30, 2008 and 2007.

The Foundation bylaws and Fund agreements include a variance provision that allows the Board of Directors to vary the use of contributions received. Based on this variance provision, a substantial portion of net assets are shown as unrestricted.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Transactions: SFAS No. 136, establishes standards for transactions in which a community foundation accepts a contribution from a not-for-profit organization and agrees to transfer those assets, the return on investment of those assets or both back to the not-for-profit organization. SFAS No. 136 specifically requires that, if a not-for-profit organization establishes a Fund at a community foundation with its own assets and specifies itself as the beneficiary of that Fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution. The Foundation refers to such Funds as agency transactions.

Use of Estimates in the Preparation of Financial Statements: The Foundation makes estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

Bequests and Grants: The Foundation records bequests when all requirements for the transfer of the assets have been met. Bequests are recorded at fair value less estimated costs and contingencies. Grants are recorded in the financial statements upon the approval of the Board of Directors.

Cash and Cash Equivalents: The Foundation defines all highly liquid investments with maturity dates of three months or less as cash and cash equivalents.

Investments: Investments are in the custody of brokerage and investment firms who manage them in accordance with policies set by the Board of Directors.

Investments in common stocks are carried at market value, as quoted on major stock exchanges. U.S. Government and Agency obligations and corporate bonds are carried at quoted market prices. Investments in equity and fixed income and real estate investment trusts are valued at quoted values by the issuers. Offshore investment funds and global bond funds are valued at their net asset value, for further details see Note 4. Investments received as contributions are recorded at the quoted market value or estimated fair value at the date of receipt. Realized and unrealized investment gains and losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or market value at the statement of financial position date. These gains and losses and other investment income are reflected in the statement of activities as unrestricted.

The Investment Committee of the Board of Directors evaluates the spending rate of grants periodically in light of total estimated long-term results from investments, fees, expenses and the effects of inflation. For the years ended June 30, 2008 and 2007, the Board set the grants spending rate at 5% of the rolling twelve-quarter average fair value of the applicable Funds.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation pools a number of Funds in order to obtain greater investment advantage and more efficient administration. The objective of investment management of all Funds is to maximize the growth consistent with minimizing exposure to risks of capital losses and attainment of the desired level of grantmaking. The Foundation's investment policy is to invest initial contributions and subsequent additions to all pooled Funds in equity, fixed income and other assets based on an allocation determined by the Investment Committee and approved by the Board of Directors. The Foundation allocates income and gain or loss from pooled investments based on the ratio of the previous month's share of each Fund's fair value to the total pooled investments.

Property Held for Sale: During the year ended June 30, 2008, the Foundation received the assets of an estate which included property. The Foundation has classified the property as held for sale, and therefore has recorded the property at fair value less costs to sell. The property is currently being marketed and is expected to be sold in 2009.

Property and Equipment: The Foundation records property and equipment at cost and capitalize assets whose cost is \$1,000 or more, using the straight-line method of depreciation, based upon the estimated useful lives of the various classes of depreciable assets as follows:

Furniture and fixtures	15 years
Office equipment	5 years
Leasehold improvements	10 years

Depreciation and amortization expense was \$10,632 for the year ended June 30, 2008 and \$10,490 for the year ended June 30, 2007.

Foundation Management Fees: The Foundation assesses an annual administrative charge ranging from 1.5% to 0.5% of fair market value of invested assets based on incremental increases in the fund balance for 2008 and 2007. The Foundation also assesses an administrative charge equal to 0.5% on pass-through Funds and 1.0% on gifts received from estates for 2008 and 2007. The administrative charge is used to support the operations of the Foundation. Administrative charges amounted to \$932,000 and \$880,000 for the years ended June 30, 2008 and 2007. These amounts are included in other revenue in the statement of activities for the years ended June 30, 2008 and 2007 and are shown net of the portion that represents the management fee expense to the Foundation.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Facilities and Services: A number of unpaid volunteers have made significant contributions of their time to develop and continue programs. The Foundation does not reflect the value of these services in the accompanying financial statements since it is not susceptible to objective measurement and valuation. For the year ended June 30, 2008 the Foundation recognized approximately \$22,000 of contributed materials and professional services as support and expense. For the year ended June 30, 2007 the Foundation recognized approximately \$12,000 of contributed materials and professional services as support and expense.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among grants and programs, administrative and donor development.

Reclassifications: Certain 2007 amounts have been reclassified in order for them to comply with 2008 presentation.

NOTE 3 - CREDIT RISK AND CONCENTRATIONS

The Foundation maintains cash accounts at a South Florida financial institution. At times, the balances may be in excess of the FDIC insured limit; however, the Foundation has not experienced any losses and believes they are not exposed to any significant credit risk on cash and cash equivalents.

As of June 30, 2008, pledges receivable were due from one donor. The bequests receivable were due from three estates of which one represented 93%. As of June 30, 2007, approximately 91% of pledges receivable were from one foundation and one non-profit organization. The bequests receivable were due from three estates of which one represented 93%.

For the year ended June 30, 2008, 78% of the contributions and bequests were received from two donors. For the year ended June 30, 2007, 51% of the contributions and bequests were received from two donors.

COMMUNITY FOUNDATION OF BROWARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and June 30, 2007

NOTE 4 - INVESTMENTS AND INVESTMENT RETURN

As of June 30, 2008 and 2007, investments consisted of the following:

	<u>2008</u> <u>Fair Value</u>	<u>2007</u> <u>Fair Value</u>
Equities/Equity Funds	\$ 34,941,378	\$ 40,409,634
U.S. Government and Agency Obligations	9,050,702	10,806,463
Corporate Bonds / Fixed Income Funds	805,928	783,399
Offshore Investment Funds	10,195,777	9,418,809
Onshore Investment Fund	815,782	536,310
Real Estate Investment Trusts	3,010,672	1,882,886
Global Bond Fund	3,727,963	2,795,615
Goldman Sachs IDX	3,439,072	2,355,396
Money Market Funds	<u>7,821,268</u>	<u>6,448,072</u>
Total	<u>\$ 73,808,542</u>	<u>\$ 75,436,584</u>

Investments consist of mutual funds, alternative investments, and common trust funds. Alternative investments consist of private equity funds and hedge funds and are shown as offshore and onshore investment funds and global bond funds. Mutual funds and common trust funds are carried at fair values, which are equal to quoted prices the last day of the fiscal year. The estimated fair value of the alternative investments is based on valuations provided by the external investment managers as of the date of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and securities distributions, and for hedge funds, additional investments gains and losses on the underlying securities, through June 30, 2008. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

The Foundation's investment advisor has reported that total investment expenses, including those of mutual funds, were approximately "79 basis points" (0.79%) and "85 basis points" (0.85%) of the total fair value of investments for the 2008 and 2007 year end respectively. The statement of activities for June 30, 2008 and 2007 reflects interest and dividend income and realized and unrealized gains net of investment manager fees of approximately \$527,000 and \$590,000, respectively.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 5 - PLEDGES RECEIVABLE

The Foundation records unconditional promises to give as pledges receivable. These pledges receivable are recorded at fair value at the date of the gift, less an allowance for uncollectible pledges, if deemed necessary, and are discounted to the present value of their expected future cash flows. The allowance for uncollectible pledges is based on prior collection history and specific review of all pledges. The Foundation considers all pledges to be fully collectible, therefore no allowance has been recorded as of June 30, 2008 and 2007.

Pledges receivable are summarized as of June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ <u>420</u>	\$ <u>169,543</u>

NOTE 6 - PROPERTY AND EQUIPMENT

At June 30, 2008 and 2007, property and equipment consists of the following:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 60,475	\$ 60,475
Office equipment	63,054	45,078
Leasehold improvements	<u>18,229</u>	<u>18,229</u>
	<u>141,758</u>	<u>123,782</u>
Less: Accumulated depreciation and amortization	<u>88,094</u>	<u>77,461</u>
Property and equipment, net	\$ <u>53,664</u>	\$ <u>46,321</u>

COMMUNITY FOUNDATION OF BROWARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and June 30, 2007

NOTE 7 - GRANTS PAYABLE

The Foundation has made unconditional promises to provide funding to other organizations as of June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Payable in less than one year	\$ 915,442	\$ 1,177,421
Payable in one to five years	<u>147,803</u>	<u>202,083</u>
	<u>\$ 1,063,245</u>	<u>\$ 1,379,504</u>

NOTE 8 - AGENCY TRANSACTIONS

As discussed in Note 2, an agency transaction is the transfer of assets from a not-for-profit organization to establish a Fund at the Foundation whereby the not-for-profit organization specifies itself as the beneficiary of that Fund. The transfers to the Fund, related investment income and distributions back to the not-for-profit organization are recorded as an increase or decrease to the corresponding assets and liabilities and are not included in unrestricted net assets.

Agency transactions during the year ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Agency transactions payable, beginning of year	\$ 9,969,153	\$ 9,078,775
Amounts received on behalf of others	203,174	102,555
Earnings allocated to agency accounts	(157,071)	1,465,119
Investment management fees	(30,676)	(35,941)
Amounts returned to agencies	(428,782)	(574,135)
Management fees earned by the Foundation	<u>(68,853)</u>	<u>(67,220)</u>
Agency transactions payable, end of year	<u>\$ 9,486,945</u>	<u>\$ 9,969,153</u>

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 9 - COMMITMENTS

During the fiscal year ended June 30, 2002 the Foundation entered into a ten-year lease agreement for office space. The lease payment during fiscal year 2008 was \$10,598 per month and during fiscal year 2007 was \$10,288 per month. The lease agreement contains a 3% escalation clause and two successive renewal options of 60 months each at fair market value at the time of renewal.

Rent expense for the year ended June 30, 2008 was approximately \$134,400 and for the year ended June 30, 2007 was approximately \$132,600.

The Foundation is presently committed to minimum lease payments under the terms of the above operating lease as follows:

<u>Year Ending June 30</u>	<u>Rent Payments</u>
2009	\$ 129,085
2010	132,956
2011	136,929
2012	<u>69,468</u>
Total	<u>\$ 468,438</u>

During the year ending June 30, 2005, the Foundation entered into a commitment of \$750,000 with an investment manager. The commitment calls for investments to be paid as the underlying managers need capital to support their investments. During the year ended June 30, 2008 and 2007, the Foundation made payments to the account that totaled \$120,000 and \$214,500, respectively. The investment manager anticipates it will take between three to five years to fulfill the commitment. The Foundation's remaining commitment is \$190,500 and \$310,500 at June 30, 2008 and 2007, respectively.

During the year ending June 30, 2007, the Foundation entered into a second commitment of \$500,000 with the same investment manager on a second investment. During the year ended June 30, 2008 and 2007, the Foundation made payments to the account that totaled \$110,000 and \$82,500, respectively. The investment manager anticipates it will take between three to five years to fulfill the commitment. The Foundation's remaining commitment is \$307,500 and \$417,500 at June 30, 2008 and 2007, respectively.

During the year ending June 30, 2008, the Foundation entered into a commitment of \$1,000,000 with an investment manager. The commitment calls for investments to be paid as the underlying managers need capital to support their investments. During the year ended June 30, 2008, no payments were made to the account.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and June 30, 2007

NOTE 10 - LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS

Split-interest agreements are arrangements where a donor gives an investment to the Foundation and the Foundation pays a beneficiary selected by the donor an annual amount as specified by the terms of the agreement. Split-interest agreements at the Foundation are charitable remainder trusts and charitable gift annuities. The Foundation records the liability due to the beneficiaries of charitable remainder trusts and charitable gift annuities at net present value using discount rates determined by investment managers based upon actuarial tables, which this year ranged from 4.2% to 6.2%.

As of June 30, 2008, the Foundation recorded approximately \$763,000 in assets held under split-interest agreements. In addition, the Foundation recognized a loss of approximately \$33,000 in contribution revenue from split-interest agreements during the fiscal year ended June 30, 2008.

As of June 30, 2007, the Foundation recorded approximately \$857,000 in assets held under split-interest agreements. In addition, the Foundation recognized approximately \$68,000 in contribution revenue from split-interest agreements during the fiscal year ended June 30, 2007.

The state of Florida requires that the Foundation has and maintains assets equal to at least 110% of the sum of the reserves on outstanding gift annuity agreements in order to collateralize the charitable gift annuities. Reserves are calculated as the net present value of future guaranteed payments to beneficiaries using the same discount rates noted above. The Foundation is required to segregate these assets as separate and distinct accounts and not use these assets for any purpose other than the annuity benefits. In addition, the state also requires the Foundation to meet investment guidelines for the annuity.

NOTE 11 - RETIREMENT PLAN

The Foundation adopted a 401(k) profit sharing plan as of January 1, 2002, to which employees may make pre-tax contributions subject to limits imposed by the Internal Revenue Service. The Foundation made a matching contribution at its discretion; the matching rate during the years ended June 30, 2008 and 2007 was up to 3% of employees' salary. Employees must complete one year of service to be eligible for matching contributions. Total expense for the year ended June 30, 2008 was approximately \$18,000 and for the year ended June 30, 2007 was approximately \$15,000.