

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Southern Arkansas University Foundation, Inc.
Magnolia, Arkansas 71754

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the Southern Arkansas University Foundation, Inc., as of December 31, 2008 and 2007 and the related statements of income collected and expenses paid 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 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 cash receipts and disbursements, which are 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 and liabilities arising from cash transactions of the Southern Arkansas University Foundation, Inc., as of December 31, 2008 and 2007, and its income collected and expenses paid during the years then ended, on the basis of accounting as described in Note A.



Wood and Wood, Ltd.

July 7, 2009

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

STATEMENTS OF ASSETS AND LIABILITIES -CASH BASIS
December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--------------------------------------|----------------------|----------------------|
| <u>ASSETS</u> | | |
| <u>Current Assets</u> | | |
| Cash on Hand and in Banks (Note B) | \$ <u>1,133,792</u> | \$ <u>399,328</u> |
| <u>Investment</u> | | |
| Total Investments (Note C) | \$ <u>18,030,353</u> | \$ <u>18,024,730</u> |
| <u>Other Assets</u> | | |
| Miscellaneous Property | \$ <u>650,000</u> | \$ <u>650,000</u> |
| Total Assets | <u>\$ 19,814,145</u> | <u>\$ 19,074,058</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | |
| <u>Current Liabilities</u> | | |
| Note Payable-Farmers Bank (Note F) | \$ <u>234,889</u> | \$ <u>271,563</u> |
| <u>Fund Balances (Note E)</u> | | |
| Unrestricted Funds | \$ 47,023 | \$ 55,648 |
| Restricted Funds | <u>19,532,233</u> | <u>18,746,847</u> |
| Total Fund Balances | <u>\$ 19,579,256</u> | <u>\$ 18,802,495</u> |
| Total Liabilities and Fund Balances | <u>\$ 19,814,145</u> | <u>\$ 19,074,058</u> |

The accompanying notes are an integral part of the financial statements

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

STATEMENT OF CHANGES IN FUND BALANCES -CASH BASIS
December 31, 2008 and 2007

| | Unrestricted Fund | Restricted Fund | Total Funds |
|----------------------------------|----------------------|--------------------|----------------|
| Fund Balances, January 1, 2007 | \$ 42,217 | \$ 17,898,337 | \$ 17,940,554 |
| Additions (Reductions) | | | |
| Net Income, Year Ended 12-31-07 | 13,431 | 848,510 | 861,941 |
| Fund Balances, December 31, 2007 | \$ 55,648 | \$ 18,746,847 | \$ 18,802,495 |
| Additions (Reductions) | | | |
| Net Income, Year Ended 12-31-08 | (8,625) | 785,386 | 776,761 |
| Fund Balances, December 31, 2008 | \$ 47,023 | \$ 19,532,233 | \$ 19,579,256 |

The accompanying notes are an integral part of the financial statements

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

STATEMENTS OF RECEIPTS AND EXPENDITURES AND FUND BALANCES -CASH BASIS
For the years ended December 31, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| <u>Receipts</u> | | |
| Contributions Received | \$ 1,252,328 | \$ 1,037,284 |
| Investment Income | <u>532,423</u> | <u>1,076,820</u> |
| Total Income | <u>\$ 1,784,751</u> | <u>\$ 2,114,104</u> |
| <u>Expenditures</u> | | |
| Grants and Allocations | \$ 708,583 | \$ 916,248 |
| Annuities | 63,869 | 63,869 |
| Awards and Promotions | 51,658 | 56,167 |
| Audits and Accounting | 3,083 | 3,694 |
| Printing and Publications | 5,237 | 1,205 |
| Travel | 4,368 | 2,610 |
| Conferences , Meetings and Lectures | 57,559 | 25,585 |
| Trustee Fees | 78,103 | 87,504 |
| Administrative | <u>35,530</u> | <u>95,281</u> |
| Total Expenses | <u>\$ 1,007,990</u> | <u>\$ 1,252,163</u> |
| Receipts Over Expenditures | \$ 776,761 | \$ 861,941 |
| Fund Balances -Cash Basis, Beginning of Year | <u>18,802,495</u> | <u>17,940,554</u> |
| Fund Balances -Cash Basis, End of Year | <u>\$ 19,579,256</u> | <u>\$ 18,802,495</u> |

The accompanying notes are an integral part of the financial statements

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

NOTES TO ACCOMPANY FINANCIAL STATEMENTS -CASH BASIS
December 31, 2008 and 2007

Note A: Summary of Significant Accounting Policies:

Principles

The Southern Arkansas University Foundation, Inc., prepares its financial statements on the cash basis. Under this basis, income is recognized when collected rather than when earned and expenses are recognized when paid rather than when incurred. Consequently, pledges receivable due from donors, income earned on investments, but not received, amounts due under contractual obligations, accounts payable, and accrued expenses are not included in the financial statements as of December 31, 2008 and 2007.

Investments

The investments of the Southern Arkansas University Foundation, Inc., are under the direction of a trustee using guidelines established by the Foundation. The trustees during the years ending December 31, 2008 and 2007 were, the Farmers Bank and Trust Co., of Magnolia, Arkansas, and Mustard Seed Financial, LLC of Magnolia, Arkansas.

Income Taxes

The Southern Arkansas University Foundation, Inc. is a nonprofit, charitable corporation, established under Act 176 of Acts of Arkansas-1963. Tax-exempts status was granted to the Foundation under Section 501 (c) (3) of the Internal Revenue Code.

Note B: Cash on Hand and in Banks:

The cash balances as of December 31, 2008 and 2007 represent cash on hand and in banks as of these respective dates. The Foundation's Public Relations Fund, Lacy Crain Fund, President's Fund and Director's Fund are on deposit in Southern Arkansas University's Agency Account, and the Endowment Fund is an individual account maintained by the Foundation. The respective balances are as follows:

| | <u>2008</u> | <u>2007</u> |
|----------------------------|---------------------|-------------------|
| Public Relations Fund | \$ 17,102 | \$ 21,933 |
| President's Fund | 44,232 | 24,385 |
| Lacy Crain Fund | 1,082 | 1,082 |
| Director's Fund | 12,006 | 8,415 |
| Miscellaneous Agency Funds | 991,025 | 240,602 |
| Endowment Fund | 2 | 7,362 |
| Cash on Hand | <u>68,343</u> | <u>95,549</u> |
| Total | <u>\$ 1,133,792</u> | <u>\$ 399,328</u> |

Note C: Investments:

The investments of the Southern Arkansas University Foundation, Inc., are recorded at cost in the records of the Foundation. The following tabulations present investment cost and market value of such investments as of December 31, 2008 and 2007.

| | <u>2008</u> | | <u>2007</u> | |
|--------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Bonds | \$ 5,396,651 | \$ 5,491,349 | \$ 6,575,506 | \$ 6,622,623 |
| Stocks | 9,857,855 | 6,313,144 | 9,778,714 | 10,046,286 |
| Other Assets | <u>2,775,847</u> | <u>2,775,847</u> | <u>1,670,510</u> | <u>1,670,510</u> |
| | <u>\$ 18,030,353</u> | <u>\$ 14,580,340</u> | <u>\$ 18,024,730</u> | <u>\$ 18,339,419</u> |

Note D: Annuities and Remainder Trusts:

The Southern Arkansas University Foundation, Inc., and John L. and Margaret B. Clary on September 29, 1997 entered into an agreement whereby Mr. and Mrs. Clary agreed to deliver to the Foundation a \$15,000.00 cash gift. In consideration for such gift, the Foundation agrees to pay Mr. and Mrs. Clary specific semi-annual payments for the remainder of their lifetimes beginning April 1, 1998. Annually the payments total \$1,005.00.

The Southern Arkansas University Foundation, Inc., and Mr. and Mrs. William E. Morgan on June 17, 1999 entered into an agreement whereby Mr. and Mrs. Morgan agreed to deliver to the Foundation a gift of marketable securities with a market value of \$101,015.70. In consideration for such gift, the Foundation agrees to pay Mr. and Mrs. Morgan specific quarterly payments for the remainder of their lifetime beginning September 17, 1999. Annually the payments total \$7,071.12.

The Southern Arkansas University Foundation, Inc., and Kathryn N. Bancroft on October 10, 2000 entered into an agreement where by Mrs. Bancroft agreed to deliver to the Foundation a gift of marketable securities with a market value of \$26,471.32. In consideration for such gift, the Foundation agrees to pay Mrs. Bancroft specific semi-annual payments for the remainder of her lifetime beginning April 12, 2001. Annually the payments total \$2,038.30.

The Southern Arkansas University Foundation, Inc. and Mr. and Mrs. Billy C. Wallace on June 25, 2001 entered into an agreement whereby Mr. and Mrs. Wallace agreed to deliver the Foundation a \$403.00 cash gift and a gift of marketable securities with a market value of \$9,597.00. In consideration for such gift, the Foundation agrees to pay Mr. and Mrs. Wallace specific semi-annual payments for the remainder of their lifetimes beginning December 25, 2001. Annually the payments total \$740.02.

The Southern Arkansas University Foundation Inc., and Mr. and Mrs. Jimmie D. Solomon on October 20, 2003 entered into an agreement where by Mr. and Mrs. Solomon agreed to deliver to the Foundation a gift of marketable securities with a market value of \$10,297.88. In consideration for such gift the foundation agrees to pay Mr. and Mrs. Solomon specific annual payments for the remainder of their lifetimes beginning October 20, 2004. Annually the payments total \$514.90.

The Southern Arkansas University Foundation Inc. and Mr. and Mrs. Phillip E. Laney on November 14, 2005 entered into an agreement whereby the Laney's delivered certain property to a Charitable Remainder Annuity Trust. The Foundation is the income beneficiary and remainderman of the trust. The annuity payments are currently \$52,500 annually for a period of ten years beginning December 15, 2005.

Note E: Fund Balances:

The amounts contained in Fund Balances designated as "Unrestricted" and "Restricted" are determinations of the Southern Arkansas University Foundation, Inc. The determinations are based on the following criteria:

Unrestricted Funds: Funds received that are not restricted by the donor. Expenditure or disbursement from such principal funds and earnings are made in accordance with established guidelines.

Restricted Funds: Funds received the principal balance and earning there from, which are restricted by the donor. Expenditure or disbursement from such principal funds and earnings are made in accordance with donor instructions.

Note I: Note Payable -Farmers Bank

The Foundation secured financing from the Farmers Bank & Trust Co., of Magnolia, Arkansas in the amount of \$596,027. The note is a 7.00% unsecured loan due December 14, 2009. Payments totaling \$36,674 were made during the year.