

**AUSTIN COMMUNITY FOUNDATION
FOR THE CAPITAL AREA, INC.**

Consolidated Financial Statements

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

To the Board of Governors
of Austin Community Foundation for the Capital Area, Inc.:

We have audited the accompanying consolidated statements of financial position of Austin Community Foundation for the Capital Area, Inc. (the "Foundation") and its affiliate as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation and its affiliate as of December 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 18, 2008
Austin, Texas

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.
Consolidated Statements of Financial Position
As of December 31, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents (note 2)	\$ 41,415,115	\$ 13,329,284
Investments, at fair value		
Marketable securities (note 3)	70,039,173	68,683,917
Real estate investments (note 4)	1,371,861	6,252,458
Other	1,297,474	1,675,243
Notes receivable, net	164,728	664,148
Property and equipment, net	140,541	31,038
Total assets	\$ 114,428,892	\$ 90,636,088
Liabilities and Net Assets		
Accounts and grants payable	\$ 812,129	\$ 867,681
Funds held for others (note 8)	376,619	397,853
Funds held for others - Agency (note 9)	5,001,541	2,770,240
Total liabilities	6,190,289	4,035,774
Net assets		
Unrestricted	39,223,614	29,543,241
Temporarily restricted (note 6)	25,104,366	15,782,312
Permanently restricted (note 7)	43,910,623	41,274,761
Total net assets	108,238,603	86,600,314
Total liabilities and net assets	\$ 114,428,892	\$ 90,636,088

See accompanying notes and independent auditors' report.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Consolidated Statement of Activities
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Support				
Contributions	\$ 19,983,226	\$ 17,672,169	\$ 2,567,574	\$ 40,222,969
Investment return	882,822	2,042,850	68,288	2,993,960
Other income, net	8,171	89,545	-	97,716
Appreciation on investments, net	868,867	1,743,922	-	2,612,789
Net assets released from restrictions	12,226,432	(12,226,432)	-	-
Total revenues, gains and support	<u>33,969,518</u>	<u>9,322,054</u>	<u>2,635,862</u>	<u>45,927,434</u>
Expenses and Losses				
Program services:				
Community grant funding	17,514,255	-	-	17,514,255
Special projects funding and program costs	6,189,685	-	-	6,189,685
Total program services	<u>23,703,940</u>	<u>-</u>	<u>-</u>	<u>23,703,940</u>
Supporting services:				
Management and general	490,913	-	-	490,913
Fundraising	94,292	-	-	94,292
Total supporting services	<u>585,205</u>	<u>-</u>	<u>-</u>	<u>585,205</u>
Total expenses and losses	<u>24,289,145</u>	<u>-</u>	<u>-</u>	<u>24,289,145</u>
Changes in net assets	9,680,373	9,322,054	2,635,862	21,638,289
Net assets at beginning of year	29,543,241	15,782,312	41,274,761	86,600,314
Net assets at end of year	<u>\$ 39,223,614</u>	<u>\$ 25,104,366</u>	<u>\$ 43,910,623</u>	<u>\$ 108,238,603</u>

See accompanying notes and independent auditors' report.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Consolidated Statement of Activities
Year Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Support				
Contributions	\$ 7,684,497	\$ 8,718,369	\$ 4,826,260	\$ 21,229,126
Investment return	686,315	1,433,099	-	2,119,414
Other income, net	49,951	44,509	-	94,460
Appreciation on investments, net	230,410	3,334,447	51,881	3,616,738
Net assets released from restrictions	<u>10,766,874</u>	<u>(10,615,795)</u>	<u>(151,079)</u>	<u>-</u>
Total revenues, gains and support	<u>19,418,047</u>	<u>2,914,629</u>	<u>4,727,062</u>	<u>27,059,738</u>
Expenses and Losses				
Program services:				
Community grant funding	12,324,845	-	-	12,324,845
Special projects funding and program costs	<u>4,637,967</u>	<u>-</u>	<u>-</u>	<u>4,637,967</u>
Total program services	<u>16,962,812</u>	<u>-</u>	<u>-</u>	<u>16,962,812</u>
Supporting services:				
Management and general	518,550	-	-	518,550
Fundraising	<u>84,910</u>	<u>-</u>	<u>-</u>	<u>84,910</u>
Total supporting services	<u>603,460</u>	<u>-</u>	<u>-</u>	<u>603,460</u>
Total expenses and losses	<u>17,566,272</u>	<u>-</u>	<u>-</u>	<u>17,566,272</u>
Changes in net assets	1,851,775	2,914,629	4,727,062	9,493,466
Net assets at beginning of year	<u>27,691,466</u>	<u>12,867,683</u>	<u>36,547,699</u>	<u>77,106,848</u>
Net assets at end of year	<u>\$ 29,543,241</u>	<u>\$ 15,782,312</u>	<u>\$ 41,274,761</u>	<u>\$ 86,600,314</u>

See accompanying notes and independent auditors' report.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Consolidated Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Increase in net assets	\$ 21,638,289	\$ 9,493,456
Adjustments to reconcile increase in net assets to net cash provided by operations		
Depreciation	12,710	2,202
Non-cash contribution	(208,000)	(1,740,724)
Non-cash grant	2,984,800	-
Appreciation on investments	(2,612,789)	(3,616,738)
(Increase) decrease in operating assets		
Accounts receivable	499,420	127,840
Increase (decrease) in operating liabilities		
Accounts payable and grants payable	(55,552)	552,669
Funds held for others	(21,234)	95,075
Funds held for others - agencies	2,231,301	1,102,579
Net cash provided by operating activities	<u>24,468,945</u>	<u>6,016,359</u>
Cash flows from investing activities		
Purchase of fixed assets	(122,213)	(29,055)
Purchase of investments	(5,936,737)	(3,535,775)
Proceeds from sale of investments	9,675,836	-
Net cash provided by (used in) investing activities	<u>3,616,886</u>	<u>(3,564,830)</u>
Net increase in cash and cash equivalents	28,085,831	2,451,529
Cash and cash equivalents at beginning of year	13,329,284	10,877,755
Cash and cash equivalents at end of year	<u>\$ 41,415,115</u>	<u>\$ 13,329,284</u>
Non-cash investing activities		
Land contributed	\$ 208,000	\$ 1,740,724
Land granted	<u>\$ 2,984,800</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(1) Organization and Summary of Significant Accounting Policies

Organization

Austin Community Foundation for the Capital Area, Inc. (the “Foundation”) is a Texas non-profit corporation chartered in 1977. The Foundation’s primary mission is to receive gifts, bequests, and donations to be administered in charitable, scientific, literary, educational, social, and public welfare activities for the benefit of the Capital Area community.

The Foundation is exempt from federal income tax under the Internal Revenue Code Section 501 (c) (3) for income related to its exempt purpose. The Foundation is classified by the Internal Revenue Service as an organization other than a private foundation.

The Foundation manages more than 600 charitable funds, established by individual donors, corporations and non-profit agencies. The Foundation invests these funds for growth so that they can flow back into the community to support a wide range of charitable efforts, including grants and scholarships. In addition, the Foundation received general membership and memorial contributions, which are put into an unrestricted fund.

The Foundation’s grants, whether from specific charitable funds or from the general fund, support health, human services, arts and culture, the environment, community development and community service, education and training, recreation, and animal-related services.

The Foundation has a spectrum of fund types to help donors meet their philanthropic goals.

Summary of Significant Accounting Policies

- (a) Basis of Presentation** – The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. The consolidated financial statements include the accounts of the Foundation and its affiliate, Charitable Holdings as of December 31, 2007 and 2006 and for the years then ended.
- (b) Basis of Accounting** – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. They are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 117, “*Financial Statements of Not-for-Profit Organizations*”.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(1) Organization and Summary of Significant Accounting Policies (continued)

Summary of Significant Accounting Policies (continued)

- (c) **Contributions** – The Foundation reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted. Donated assets are recorded at their estimated fair market values at the date of receipt.

The Foundation reports contributions of land, buildings, and equipment as unrestricted, unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

- (d) **Contributed Services** – During the years ended December 31, 2007 and 2006, the value of contributed services meeting the requirements for recognition in the financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the organization, these services do not meet the criteria for recognition as contributed services.
- (e) **Cash and Cash Equivalents** – The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- (f) **Investments** – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. All non cash contributions are recorded at fair value at the date of receipt. Land is recorded at appraised value. Stock is recorded at the average of the high and low selling price on the date received. Investments sold are recorded at amount received.

Investment income is reported as an increase in unrestricted net assets unless the donor placed restrictions on the income's use. The change in fair value between years along with realized gains or losses are reflected in the statement of revenues and expenses in the year of the change. Gains and losses are reflected as increases or decreases in unrestricted net assets unless the donor places temporary or permanent restrictions on the gains and losses.

- (g) **Property and Equipment** – Furniture, equipment, software and vehicles are capitalized at cost. Property and equipment are depreciated over estimated useful lives of five years using the straight-line method.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(1) Organization and Summary of Significant Accounting Policies (continued)

Summary of Significant Accounting Policies (continued)

- (h) Consolidation** – The consolidated financial statements include the accounts of the Foundation and its affiliate, Charitable Holdings. Charitable Holdings was formed in October 1991 to assist the Foundation in carrying out the charitable purposes for which the Foundation was organized and operated. All inter-company transactions have been eliminated in consolidation.
- (i) Income Taxes** – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Foundation had no significant amounts for the years ended December 31, 2007 and 2006, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying financial statements.
- (j) Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.
- (k) Functional Expenses** – The Foundation reports its expenses on its statement of activities by function. The Foundation may allocate certain indirect operational expenses (insurance, maintenance, utilities, depreciation) between program and supporting services based on estimates made by management.

(2) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Cash	\$ (744,880)	\$ 523,633
Certificates of Deposit	1,000,000	-
Money market funds	41,159,995	12,805,651
Total cash and cash equivalent	<u>\$ 41,415,115</u>	<u>\$ 13,329,284</u>

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(3) Marketable Securities

Marketable securities are stated at fair value based on quoted market prices and consist of the following as of December 31, 2007 and 2006:

	Fair Market Value	
	2007	2006
U.S. government securities	\$ 1,767,168	\$ 2,077,851
Fixed income securities	20,589,299	20,011,150
Equity securities	47,682,706	46,594,916
Total marketable securities	\$ <u>70,039,173</u>	\$ <u>68,683,917</u>

Equity securities were disbursed across a range of equity mutual funds and individual common stocks. There was a significant concentration in two individual equity securities at December 31, 2007 and 2006 as follows:

	Fair Market Value	
	2007	2006
Dell, Inc. common stock	\$ 2,156,880	\$ 3,186,430
National Instruments, Inc. common stock	333,300	3,730,627

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2007 and 2006:

	2007	2006
Interest, dividends and other income	\$ 2,993,960	\$ 2,119,414
Appreciation on investments	2,612,789	3,616,738
	\$ <u>5,606,749</u>	\$ <u>5,796,152</u>

(4) Real Estate Investments and Other Investments

The real estate and other investments consist of the following at December 31, 2007 and 2006:

	2007	2006
Land	\$ 1,052,720	\$ 5,496,898
Oil and gas leasehold	230,115	682,215
Investment in limited partnership	89,026	73,345
Total real estate investments	\$ <u>1,371,861</u>	\$ <u>6,252,458</u>

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(4) Real Estate Investments and Other Investments (continued)

The real estate investments are accounted for at estimated fair value at time of gift and may be subsequently re-valued at estimated fair value for subsequent appreciation or depreciation for pending sales or distributions. The Foundation sold an interest in land in January 2007 and received net proceeds of approximately \$1,740,000 which approximated the carrying value of the land at December 31, 2006. The proceeds from this sale were transferred to the Austin Community Foundation during 2007. At December 31, 2006, the land was concentrated in 16.324 acres of land in Travis County, Texas with a fair value of \$3,640,000 in addition to the tract noted above. A significant portion of the 16.324 acres was granted to another not for profit organization during 2007.

Effective September 1, 2006, Charitable Holdings received the ownership interest in approximately 216 acres of land. The 216 acres is required to be maintained as a wildlife park and nature preserve under the donor's will and the deed from the Texas Parks and Wildlife Department and cannot be sold by Charitable Holdings. Under the court order allowing the Texas Parks and Wildlife Department to convey the property to Charitable Holdings, the Foundation has the responsibility to manage and maintain the property in accordance with the terms of the will and the deed. Therefore, the Foundation has an on-going obligation to perform maintenance and provide for other costs of the property. As a result of the restriction on sale and the expenses required to maintain the property, the Foundation's management has determined the fair value of the land at \$1 at December 31, 2006. During 2007, the Foundation increased the value of the 216 acres to \$208,000 based on the assessed values of the property by the Travis County Appraisal District. The increase in value was treated as additional contribution revenue in 2007.

The other investments consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Split interest agreements	\$ 101,875	\$ 80,868
Cash value of life insurance policy	1,050,319	1,037,131
Riverboat, net of accumulated depreciation	-	395,500
Other	<u>145,280</u>	<u>161,744</u>
Total other investments	\$ <u>1,297,474</u>	\$ <u>1,675,243</u>

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(5) Property and Equipment

The following is a summary of furniture, equipment, and leasehold improvements as of December 31, 2007 and 2006:

		2007		2006
Furniture and equipment	\$	87,199	\$	6,268
Software		8,141		4,914
Vehicle		29,055		29,055
Leasehold improvements		24,671		-
		<u>149,066</u>		<u>40,237</u>
Less accumulated depreciation and amortization		(8,525)		(9,199)
Total other investments	\$	<u>140,541</u>	\$	<u>31,038</u>

Depreciation expense was \$12,710 and \$2,202 for furniture and equipment, software and vehicle for the years ended December 31, 2007 and 2006, respectively.

(6) Temporarily Restricted Net Assets

The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed restrictions that either expire by passage of time or the purpose of which is fulfilled are considered temporarily restricted net assets.

At December 31, 2007, temporarily restricted funds at the Foundation consisted of the following:

<u>Type of Restriction</u>	<u>December 31, 2006</u>	<u>New Gifts and Investment Earnings</u>	<u>Restrictions Released</u>	<u>December 31, 2007</u>
Program and capital restrictions	\$ 15,782,312	21,548,486	(12,226,432)	\$ 25,104,366

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(6) Temporarily Restricted Net Assets (continued)

Significant temporarily restricted net assets consisted of the following at December 31, 2007 and 2006:

<u>Type of Restriction</u>	<u>2007</u>	<u>2006</u>
Georgia B. Lucas Permanent Fund accumulated earnings	\$ 2,025,393	\$ 2,070,314
Marjorie Schultz Fund for Women	1,199,032	-
AISD Ann Richards School for Young Women Leaders Fund	1,058,806	384,675
The FIRST Fund	4,102,004	-
Hospice Austin Fund	1,351,283	-
Other permanently restricted net assets accumulated earnings	4,326,758	7,465,112
Other temporarily restricted net assets	11,041,090	5,862,211
	<u>\$ 25,104,366</u>	<u>\$ 15,782,312</u>

(7) Permanently Restricted Net Assets

The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed restrictions that are not expected to expire are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to the organization in which the donor imposed a restriction that the funds not be expended, but that the organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

At December 31, 2007 and 2006, the Foundation had permanently restricted net assets restricted to:

	<u>2007</u>	<u>2006</u>
Investment in perpetuity, the income from which is expendable	\$ 36,092,767	\$ 35,198,721
Endowment requiring a percentage of the income to be added to the original gift each year	9,938,323	7,600,256
Total permanently restricted	<u>46,031,090</u>	<u>42,798,977</u>
Less amounts classified as liabilities in funds held for others- Agency on the consolidated statements of financial position	2,120,467	1,524,216
Total permanently restricted net assets	<u>\$ 43,910,623</u>	<u>\$ 41,274,761</u>

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(7) Permanently Restricted Net Assets (continued)

At December 31, 2007 and 2006, the Foundation had permanently restricted net assets in the following individually significant funds:

	<u>2007</u>	<u>2006</u>
Austin Community Foundation Endowment Fund	\$ 1,261,150	\$ 1,261,150
Sybil B. Harrington Endowment for the Arts Fund	1,000,000	1,000,000
The David W. Leonard Fund	1,658,922	1,658,922
Georgia B. Lucas Foundation Fund	12,754,416	12,423,996
Nowlin Family Fund	3,200,000	3,200,000
Nelson Puett Football Fund	1,812,333	-
Dr. Henry Renfert, Jr. Fund	6,102,950	5,835,147
Deborah Ann Scott Foundation Fund	1,244,990	1,234,718
Other permanently restricted net assets	<u>14,875,862</u>	<u>14,660,828</u>
	<u>\$ 43,910,623</u>	<u>\$ 41,274,761</u>

(8) Funds Held For Others

Certain amounts reported in the statements of financial position are accounted for as funds held for others. Details of these amounts at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Pittman Charitable Lead Unitrust-funds to be paid out to C&J Charitable Fund	\$ 275,623	\$ 280,481
Other	100,996	117,372
Total funds held for others	<u>\$ 376,619</u>	<u>\$ 397,853</u>

(9) Funds Held For Others-Agency Fund

The Organization adopted Financial Accounting Standards Board Statement No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others", which establishes standards for transactions in which a not-for-profit organization (such as 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. If a not-for-profit organization establishes with its own funds a fund at a community foundation for its own benefit, the transfer of assets to the community foundation is not contribution revenue and should be accounted for as liability. The community foundation continues to report the funds as an asset of the foundation; however, they must establish a liability for the market value, representing the present value of the future payments expected to be made to the not-for-profit organization. Such funds are the legal property of the community foundation.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(9) Funds Held For Others-Agency (continued)

An agency fund arises when a transfer is received from a not-for-profit organization where it specifies itself as the beneficiary. The following are reported as agency endowments as of December 31, 2007 and 2006:

<u>Not-for-Profit Organization</u>	<u>2007</u>	<u>2006</u>
A.R.C.I.L.	\$ 94,367	\$ 93,422
Austin Child Guidance Center Endowment Fund	62,431	-
Austin Childrens' Shelter	99,779	64,878
Austin Chamber Music Center Fund	10,280	-
Austin Civic Orchestra Endowment Fund	30,476	-
Austin High School	73,073	31,174
Austin History Center Association	43,653	41,175
Austin Rowing Club Endowment Fund	17,756	-
Austin Sculpture Center Fund	14,750	-
Austin Smiles Reconstructive Surgery Fund	106,260	100,228
AWC Building Preservation Endowment Fund	14,151	-
Burnet County Child Welfare Board Fund	22,945	-
Casis Elementary School Endowment Fund	43,859	37,690
Committee for Wild Basin Wilderness Foundation, Inc.	58,978	58,387
For the Love of Christi Endowment Fund	11,515	-
Highland Lakes Family Crisis Center	454,390	428,597
Highland Park Elementary School Endowment	18,506	-
Hill Country Children's Advocacy Center	33,297	30,844
Hill Country Community Theater Endowment	24,225	-
Hospice Austin Fund	1,351,283	-
JCAA Facilities Fund	520,299	183,698
JCAA Sandy and Lisa Gottesman Education	103,435	97,564
Marble Falls Athletic Booster Club	13,232	-
Marble Falls Helping Center Memorial	50,299	47,443
NAC Endowment Fund	14,997	-
New Milestones Foundation	225,961	211,864
Northwest Austin Rotary Club	51,139	42,808
O. Henry Middle School	32,003	30,967
Project Transitions Reserve Fund	99,979	-
Rawson-Saunders School	91,185	88,052
Trinity Center Christmas Cheer Endowment Fund	17,656	-
The Junior League of Austin	1,024,353	886,686
West Austin Youth Association	69,272	65,340
Wildlife Rescue, Inc.	37,087	34,928
Writer's League of Texas	37,939	35,786
Other	26,731	158,709
Total funds held for others – agency endowments	\$ <u>5,001,541</u>	\$ <u>2,770,240</u>

(10) Retirement Plan

The Foundation has contracted with Administaff to provide employment services. Administaff provides a 401(k) plan for its eligible employees. The Foundation has agreed to contribute to this 401(k) plan. For the years ended December 31, 2007 and 2006, the Foundation contributed \$20,396 and \$12,094, respectively.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(11) Split-interest Agreements

The Foundation is the beneficiary of one charitable remainder trust administered by a third party trustee. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a permanently restricted contribution and as a receivable from a beneficial interest in the trust in the period the trust is established. On an annual basis, the Foundation revalues the receivable and the adjust contributions based on actuarial assumptions. The present value of the estimated future benefit to the Foundation is \$101,875 at December 31, 2007, using a discount rate of 4% and applicable mortality tables. The fair value of the split interest agreements is included in other investments in the accompanying consolidated statements of financial position.

(12) Fair Value of Financial Instruments

The Foundation has estimated fair value of financial instruments in accordance with requirements of Statement of Financial Accounting Standards No. 107, "*Disclosures about Fair Value of Financial Instruments*." The estimated fair value amounts have been determined by the Foundation, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the ACF could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts. The carrying amount of cash and cash equivalents, notes receivable, accounts and grants payable, and funds held for others approximated fair market value at December 31, 2007 and 2006, because of their relatively short maturity and market terms. The fair value of long term investments at December 31, 2007 and 2006 is determined based on quoted market values for U.S. government securities, fixed income securities and equity securities. The fair values for other investments are based on management's estimates.

(13) Credit Risk

Certain financial instruments potentially subject the Foundation to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments, and notes receivable. The cash policy of the Foundation limits the amount of credit exposure, and requires that cash be placed with high credit quality financial institutions. Credit risk on investments is limited due to wide diversification of the investment portfolio. From time to time bank balances may exceed the FDIC insured limits. However, at December 31, 2007 there were no uninsured bank balances. The money market funds are maintained with an investment brokerage firm that maintains the Foundation's funds in an interest bearing account and all such funds are backed by high quality short term financial instruments. An allowance for uncollectible accounts is provided based on management's evaluation of potential uncollectible accounts and notes receivable at year end. At December 31, 2007 and 2006, there was no allowance for uncollectible accounts.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(14) Functional Classification of Expenses

Functional expenses are as follows:

		Management & General	Fund- raising	2007 Total	2006 Total
Grants	\$ 17,514,255	-	-	17,514,255	\$ 12,324,845
Special projects funding	5,440,277	-	-	5,440,277	3,979,729
Legal fees	22,998	34,496	-	57,494	26,089
Rent	13,311	26,621	4,437	44,369	29,580
Taxes	50,831	-	-	50,831	80,889
Management fees	121,585	21,456	-	143,041	133,929
Credit card processing	8,798	17,597	2,933	29,328	42,146
Compensation	342,228	133,377	52,846	528,451	489,713
Depreciation	-	12,710	-	12,710	2,202
Public awareness	10,547	21,093	3,515	35,155	48,389
Development	4,687	2,344	781	7,812	16,606
Other expenses	174,423	221,219	29,780	425,422	392,154
Total expenses	\$ 23,703,940	490,913	94,292	24,289,145	\$ 17,566,272

The ratio of fundraising expense to total funds raised was 0.2% in 2007 and 0.4% in 2006.

(15) Lease Commitments

The Foundation had entered into leases for certain administrative office equipment. Lease expense was approximately \$9,500 and \$8,600 for the years ended December 31, 2007 and 2006, respectively. The total amount of lease payments was being charged to expense on the straight-line method over the term of the lease.

During 2007, the Foundation entered into a lease for its primary office space. Minimum future rentals for the office space lease and equipment leases as of December 31, 2007 are as follows:

Year Ending December 31,	
2007	\$ 125,000
2008	128,000
2009	131,000
2010	136,000
2011	118,000

The Foundation also received donated office space and has recognized a contribution and rental expense with a value of \$25,600 and \$29,580 for 2007 and 2006, respectively. Rental expense under these leases (including the equipment leases) amounted to \$54,000 and \$35,000 the years ended December 31, 2007 and 2006, respectively.

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

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December 31, 2007 and 2006

(16) Charitable Holdings

Charitable Holdings (a nonprofit organization) was created with the specific goal to hold and dispose of tangible assets donated to Charitable Holdings such as real estate. In accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, the following summarized financial statements for Charitable Holdings were consolidated in the Foundation's financial statements for the years ended December 31, 2007 and 2006:

Statements of Financial Position

	<u>2007</u>	<u>2006</u>
Cash	\$ 18,987	\$ 12,387
Note receivable	53,743	-
Real estate	1,053,051	5,565,798
Partnership interest	89,026	89,026
River boat	-	395,500
Total assets	<u>\$ 1,214,807</u>	<u>\$ 6,152,711</u>
Liabilities	\$ 798	\$ 29,055
Net assets - unrestricted	<u>1,214,009</u>	<u>6,123,656</u>
Total liabilities and net assets	<u>\$ 1,214,807</u>	<u>\$ 6,152,711</u>

Statements of Activities

	<u>2007</u>	<u>2006</u>
Revenues		
Donations	\$ 208,001	\$ 1,838,727
Miscellaneous income	253,348	53,055
Investment income	9,433	7,783
Total revenues	<u>470,782</u>	<u>1,899,565</u>
Expenses		
Administration allocation	72,000	53,055
Grants paid	2,984,800	-
Insurance	3,449	6,096
Other expenses	15,235	6,347
Depreciation	38,138	56,500
Loss on sale of asset	302,362	-
Total expenses	<u>3,415,984</u>	<u>121,998</u>
Changes in unrestricted net assets	(2,945,202)	1,777,567
Transfer to Austin Community Foundation	<u>(1,964,445)</u>	<u>-</u>
Net assets at beginning of year	<u>6,123,656</u>	<u>4,346,089</u>
Net assets at end of year	<u>\$ 1,214,009</u>	<u>\$ 6,123,656</u>

AUSTIN COMMUNITY FOUNDATION FOR THE CAPITAL AREA, INC.

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

(17) Life Insurance Policies and Life Annuity Contracts

The Foundation has participated in life insurance policies and life annuity contracts or “LILAC” transactions. In LILAC transactions, an unrelated entity forms a statutory business trust as a vehicle for paying the proceeds of life annuity contracts and life insurance policies to investors and charities. After the business trust is formed, the trust obtains life insurance and life annuities on the lives of consenting individuals, sells equity securities to investors, and issues a second class of securities to the charitable organization designated by the consenting individuals, such as the Foundation. The trust uses the life annuity payments to pay the life insurance premiums and to provide a return to the investors. As consenting individuals die, the trust will distribute the majority of the death benefit proceeds to the investors and distribute the remaining proceeds, if any to the Foundation. The organizers of the LILAC transactions have projected that the death benefits to be received by the Foundation is \$40 million over the next 10-15 years. The Foundation will pay-out the primary portion of the death benefits to other charities designated by the insured.

For financial accounting purposes, the Foundation will recognize any proceeds from the LILAC transactions as they are received. The Pension Protection Act of 2006 requires the Secretary of the Treasury to undertake a study on the use by tax exempt organizations of applicable insurance contracts such as LILAC. The ultimate outcome resulting from the study is not presently known.