

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

FINANCIAL STATEMENTS
December 31, 2007 and 2006

—WOOD AND WOOD, LTD.—
CERTIFIED PUBLIC ACCOUNTANTS

MAGNOLIA, ARKANSAS
— | —

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2007 and 2006 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, 2007 and 2006, 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.

June 23, 2008

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

STATEMENTS OF ASSETS AND LIABILITIES-CASH BASIS
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash on Hand and in Banks (Note B)	\$ 399,328	\$ 460,501
<u>Investment</u>		
Total Investments (Note C)	\$ 18,024,730	\$ 17,271,132
<u>Other Assets</u>		
Construction in Progress (Note G)	\$ 0	\$ 0
Art Grant Expenditures in Progress (Note H)	0	0
Miscellaneous Property	<u>650,000</u>	<u>650,000</u>
Total Other Assets	<u>\$ 650,000</u>	<u>\$ 650,000</u>
Total Assets	<u>\$ 19,074,058</u>	<u>\$ 18,381,633</u>

LIABILITIES AND FUND BALANCES

<u>Current Liabilities</u>		
Note Payable-Farmers Bank (Note I)	\$ 271,563	\$ 441,079
<u>Fund Balances (Note F)</u>		
Unrestricted Funds	\$ 55,648	\$ 42,217
Restricted Funds	18,746,847	17,898,337
Restricted Funds-Building Grant	0	0
Restricted Funds-Art Grant	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 18,802,495</u>	<u>\$ 17,940,554</u>
Total Liabilities and Fund Balances	<u>\$ 19,074,058</u>	<u>\$ 18,381,633</u>

The accompanying notes are an integral part of the financial statements

SOUTHERN ARKANSAS UNIVERSITY FOUNDATION, INC.
Magnolia, Arkansas

STATEMENTS OF CHANGES IN FUND BALANCES-CASH BASIS
For the years ended December 31, 2007 and 2006

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Restricted Const-Grant</u>	<u>Restricted Art Grant</u>	<u>Total Funds</u>
Fund Balances, January 1, 2006	\$ 69,556	\$ 16,691,650	\$ 12,396,996	\$ 186,325	\$ 29,344,527
<u>Additions (Reductions)</u>					
Net Income, Year Ended 12-31-06	(27,339)	1,311,687	0	0	1,284,348
Transfer to University	<u>0</u>	<u>(105,000)</u>	<u>(12,396,996)</u>	<u>(186,325)</u>	<u>(12,688,321)</u>
Fund Balances, December 31, 2006	\$ 42,217	\$ 17,898,337	\$ 0	\$ 0	\$ 17,940,554
<u>Additions (Reductions)</u>					
Net Income, Year Ended 12-31-07	13,431	848,510	0	0	861,941
Transfer to University	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, December 31, 2007	<u>\$ 55,648</u>	<u>\$ 18,746,847</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,802,495</u>

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, 2007 and 2006

	2007	2006
<u>Receipts</u>		
Contributions Received	\$ 1,037,284	\$ 1,083,015
Investment Income	<u>1,076,820</u>	<u>1,367,621</u>
Total Income	<u>\$ 2,114,104</u>	<u>\$ 2,450,636</u>
<u>Expenditures</u>		
Grants and Allocations	\$ 916,248	\$ 908,151
Assistance to Named Individuals-Contractual	0	3,200
Annuities	63,869	65,794
Awards and Promotions	56,167	36,335
Audits and Accounting	3,694	2,633
Printing and Publications	1,205	4,023
Travel	2,610	7,233
Conferences and Meetings	25,585	27,285
Trustee Fees	87,504	53,706
Administrative	<u>95,281</u>	<u>57,928</u>
Total Expenses	<u>\$ 1,252,163</u>	<u>\$ 1,166,288</u>
Receipts Over Expenditures	\$ 861,941	\$ 1,284,348
Fund Balances-Cash Basis, Beginning of Year	<u>17,940,554</u>	<u>16,656,206</u>
Fund Balances-Cash Basis, End of Year	<u>\$ 18,802,495</u>	<u>\$ 17,940,554</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, 2007 and 2006

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, 2007 and 2006.

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, 2007 and 2006 were the BancorpSouth of Magnolia, Arkansas, 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, 2007 and 2006 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:

	2007	2006
Public Relations Fund	\$ 21,933	\$ 22,635
President's Fund	24,385	16,118
Lacy Crain Fund	1,082	1,082
Director's Fund	8,415	15,894
Miscellaneous Agency Funds	240,602	356,667
Endowment Fund	7,362	7,316
Cash on Hand	95,549	40,789
Total	\$ 399,328	\$ 460,501

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, 2007 and 2006.

	2007		2006	
	Cost	Market	Cost	Market
Bonds	\$ 6,575,506	\$ 6,622,623	\$ 8,099,132	\$ 7,997,604
Stocks	9,778,714	10,046,286	4,306,139	4,856,368
Other Assets	1,670,510	1,670,510	4,865,861	4,865,861
	\$ 18,024,730	\$ 18,339,419	\$ 17,271,132	\$ 17,719,833

Note D: Contractual Obligations:

The Southern Arkansas University Endowment Fund, and Dr. John H. Wilson, on December 4, 1980, entered into two separate agreements, where by Dr. John H. Wilson agreed to deliver to the Endowment Fund substantial gifts of cash. In consideration for such gifts the Endowment Fund agrees to pay two named individuals specific monthly payments for the remainder of their lifetimes, beginning in January 1981. The annual payment to the named individuals total \$8,400.00. The liability of the Endowment Fund is absolute and is not contingent on the earnings of the property transferred. Subsequent to the fulfillment of each obligation the remaining cash funds shall be added to the Dr. John H. Wilson Endowed Scholarship Fund previously established unless it appears feasible to establish a "Dr. John H. Wilson, Chair of Science".

The Foundation was relieved of any further liabilities on the Luck-Wilson contract due to the death of Mrs. Luck in 2002, and on the Keith-Wilson contract due to the death of Mrs. Keith in 2006.

Note E: 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 Dr. J. Irving McClurkin, Jr. on April 30, 1998 entered into an agreement whereby Dr. McClurkin agreed to deliver to the Foundation a \$10,000.00 cash gift. In consideration for such gift, the Foundation agrees to pay Dr. McClurkin specific semi-annual payments for the remainder of his lifetime beginning October 30, 1998. Annually the payments total \$1,020.00. Dr. McClurkin passed away during 2006.

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 Margaret L. Brewer on May 5, 2001 entered into an agreement whereby Ms. Brewer agreed to deliver to the Foundation a \$30,000.00 cash gift. In consideration for such gift, the Foundation agrees to pay Ms. Brewer specific monthly payments for the remainder of her lifetime beginning June 5, 2001. Annually the payments total \$2,310.00. Ms. Brewer passed away during 2006

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

Restricted Building Grant: Funds received for the sole purpose of construction of the Donald W. Reynolds Campus and Community Services facility. Expenditure or disbursement from such principal funds is made in accordance with the grant requirements.

Restricted Funds-Art Grant: Funds received for the sole purpose of planning and providing works of art for the Donald W. Reynolds Campus and Community Services facility. Expenditure or disbursement from such principal funds is made in accordance with grant requirements.

Note G: Construction in Progress:

The Donald W. Reynolds Foundation has awarded a grant in an amount not to exceed \$12,308,708 to the Southern Arkansas University Foundation, with the University as the beneficiary. The sole purpose of the grant is to construct and furnish the Donald W. Reynolds Campus and Community Services facility. The University, as beneficiary, will be the ultimate owner and is responsible for contracting with a professional design team and general construction contractor for the project. Funds are released from the Donald W. Reynolds Foundation to the Southern Arkansas University Foundation based on presented invoices obtained from contracted individuals. The Southern Arkansas University Foundation makes expenditures to contracted individuals.

Final payments on the project were made in January 2006 and the property was transferred to the university.

Note H: Art Grant Expenditures in Progress

The Donald W. Reynolds Foundation has awarded a grant in an amount not to exceed \$186,325 to the Southern Arkansas University Foundation, with the University as the beneficiary. The sole purpose of the grant is to purchase art for display in Donald W. Reynolds Campus and Community Service facility. The University, as beneficiary, will be the ultimate owner and is responsible for contracting with a professional design team and artists for the project. Funds are released from the Donald W. Reynolds Foundation to the Southern Arkansas University Foundation based on presented invoices obtained from contracted individuals. The Southern Arkansas University Foundation makes expenditures to contracted individuals.

Final payments on the project were made in January 2006 and the property was transferred to the university.

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, 2008. Payments totaling \$168,516 were made during the year.