

**BROWNSVILLE COMMUNITY FOUNDATION, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2005 AND 2004**

BROWNSVILLE COMMUNITY FOUNDATION, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Brownsville Community Foundation, Inc.

We have audited the accompanying statements of financial position of Brownsville Community Foundation, Inc. as of December 31, 2005 and 2004, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brownsville Community Foundation, Inc. as of December 31, 2005 and 2004, 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.

**LONG CHILTON, LLP**  
*Certified Public Accountants*

Brownsville, Texas  
September 25, 2006

BROWNSVILLE COMMUNITY FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2005 and 2004

	Assets	
	<u>2005</u>	<u>2004</u>
Current Assets		
Cash and cash equivalents	\$ 397,480	\$ 333,583
Accounts receivable	-	15,500
Other current assets	<u>350</u>	<u>350</u>
Total current assets	<u>397,830</u>	<u>349,433</u>
Property and Equipment		
Office equipment	19,593	18,521
Less accumulated depreciation	<u>(18,575)</u>	<u>(18,521)</u>
	<u>1,018</u>	<u>-</u>
Land – Resaca de las Palmas Battlefield	<u>2,500,000</u>	<u>2,500,000</u>
Total property and equipment	<u>2,500,000</u>	<u>2,500,000</u>
<b>Total assets</b>	<b><u>\$ 2,898,848</u></b>	<b><u>\$ 2,849,433</u></b>
	Liabilities and Net Assets	
Liabilities		
Accounts payable and accrued expenses	\$ 1,440	\$ -
Funds held for others	<u>22,189</u>	<u>26,186</u>
Total liabilities	<u>23,629</u>	<u>26,186</u>
Net Assets		
Unrestricted	106,584	72,919
Temporarily restricted	<u>2,768,635</u>	<u>2,750,328</u>
Total net assets	<u>2,875,219</u>	<u>2,823,247</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,898,848</u></b>	<b><u>\$ 2,849,433</u></b>

See Notes to Financial Statements.

BROWNSVILLE COMMUNITY FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2005 and 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2004</u>
<b>Revenues</b>				
<b>Contributions</b>				
Earthen Fort Brown	\$ -	\$ -	\$ -	\$ 5,000
Brownsville Historical Museum	-	-	-	50,000
Houston Endowment – operations	125,000	-	125,000	-
Houston Endowment – grants	-	25,000	25,000	-
Palo Alto Battlefield	-	397	397	-
Resaca de la Palma	-	24,000	24,000	-
Interest income	2,864	-	2,864	1,460
Other	<u>34,352</u>	<u>-</u>	<u>34,352</u>	<u>31,923</u>
Total revenues	162,216	49,397	211,613	88,383
Amounts released from temporary restrictions	<u>31,090</u>	<u>(31,090)</u>	<u>-</u>	<u>-</u>
	<u>193,306</u>	<u>18,307</u>	<u>211,613</u>	<u>88,383</u>
<b>Expenses</b>				
<b>Program Expenses</b>				
Palo Alto Battlefield	6,090	-	6,090	66,033
Brownsville Historical Museum	-	-	-	50,000
Earthen Fort Brown	-	-	-	4,990
Brownsville Adult Literacy Center	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total program expenses	<u>31,090</u>	<u>-</u>	<u>31,090</u>	<u>121,023</u>
<b>Administration expenses</b>				
Occupancy	12,376	-	12,376	10,367
Office and other	4,223	-	4,223	2,250
Professional	7,336	-	7,336	3,869
Consultant	48,872	-	48,872	24,989
Conferences and travel	2,467	-	2,467	1,228
Insurance	3,107	-	3,107	3,005
Depreciation expense	54	-	54	-
Salaries and benefits	46,253	-	46,253	7,153
Telephone	3,863	-	3,863	2,550
Ad valorem taxes	-	-	-	<u>15,966</u>
Total administration expenses	<u>128,551</u>	<u>-</u>	<u>128,551</u>	<u>71,377</u>
Total expenses	<u>159,641</u>	<u>-</u>	<u>159,641</u>	<u>192,400</u>
Change in net assets	33,665	18,307	51,972	(104,017)
Net assets at beginning of year	<u>72,919</u>	<u>2,750,328</u>	<u>2,823,247</u>	<u>2,927,264</u>
Net assets at end of year	<u>\$ 106,584</u>	<u>\$ 2,768,635</u>	<u>\$ 2,875,219</u>	<u>\$ 2,823,247</u>

See Notes to Financial Statements.

BROWNSVILLE COMMUNITY FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS**  
 Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flow From Operating Activities		
Change in net assets	\$ 51,972	\$ (104,017)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation expense	54	-
(Increase) decrease in accounts receivable	15,500	(15,500)
Increase (decrease) in funds held for others	(3,997)	5,557
Increase (decrease) in accounts payable and accrued expenses	<u>1,440</u>	<u>(3,225)</u>
Net cash provided by (used in) operating activities	64,969	(117,185)
Cash Flows From Investing Activities		
Purchase of office equipment	<u>(1,072)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	63,897	(117,185)
Cash and cash equivalents at beginning of year	<u>333,583</u>	<u>450,768</u>
Cash and cash equivalents at year end	<u>\$ 397,480</u>	<u>\$ 333,583</u>

See Notes to Financial Statements.

BROWNSVILLE COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Summary of Significant Accounting Policies**

The Brownsville Community Foundation, Inc. (Foundation) is a nonprofit Texas corporation with no capital stock and is classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section(a)(1) of the Internal Revenue Code of 1986. The Foundation administers funds, each generally established with an instrument of gift describing either the general or specific purposes for which grants are to be made. The Foundation is committed to promoting the well-being of mankind and to serving the general charitable, educational and scientific needs primarily for inhabitants of Brownsville, Texas through charitable grants at the discretion of the Board of Trustees.

The accounting policies of the Foundation conform to generally accepted accounting principles applicable to United States nonprofit organizations. The following is a summary of the significant accounting and reporting policies applied in the preparation of the accompanying financial statements.

A. Accounting and Reporting

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Contributions Made”, the Foundation recognizes revenues when contributions are received from donors unless the Foundation has little or no discretion in determining how the funds are to be used (e.g. funds collected on behalf of others and funds sent directly to others).

In accordance with SFAS No. 117, “Financial Statements of Not-for-Profit Organizations”, the financial statements are required to distinguish between unrestricted, temporarily restricted and permanently restricted net assets.

B. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Accordingly, actual results could differ significantly from those estimates.

C. Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. Assets are recorded at fair market value at the end of donation.

BROWNSVILLE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 1 – Summary of Significant Accounting Policies (Continued)**

C. Contributions (Continued)

The Foundation reports gifts of cash and other assets as restricted support when they are 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 program restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Net assets are released from donor restrictions by incurring expenses, including grant authorizations, that satisfy the restricted purposes or by occurrence of other events specified by donors.

D. Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Foundation considers all cash accounts, which are not subject to withdrawal restrictions or penalties and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

E. Concentration of Credit Risk

The Foundation maintains cash balances at several banking institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2005 and 2004, the Foundation exceeded the insured limits by \$150,533 and \$-0-, respectively.

F. Property and Equipment

Property and equipment are recorded at estimated fair market value at the date of donation or at cost if purchased. Depreciation is recorded using the straight-line method based on expected useful lives ranging from 5 to 10 years.

G. Grants

Grants are recorded when they are approved by the Board of Trustees for payment.

H. Fair Value of Financial Instruments

SFAS 107 “Disclosure about the Fair Value of Financial Instruments”, requires the disclosure of fair value information about financial instruments, whether or not recognized on the statement of financial position, for which it is practicable to estimate the value. The carrying value of cash and cash equivalents and current receivables and payables approximate fair value due to the short-term nature of these instruments.

BROWNSVILLE COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS**

**Note 2 – Resaca De La Palmas Battlefield**

The Resaca de la Palmas Battlefield (Resaca) is a 34.40 acre tract of land located in Brownsville, Texas. Resaca was the site of the second battle of the Mexican-American War fought in May 1845. Resaca was designated as a National Historic Landmark in 1998 in connection with the Palo Alto National Historic Site (Palo Alto) General Management Plan (GMP) by the United States Department of the Interior, National Park Service (NPS). In March 2003, the Foundation purchased Resaca from the City of Brownsville, Texas for \$2,500,000 with the intent of managing the site in cooperation with the NPS as described in the GMP. The Foundation and the NPS mutually desire to preserve, operate, develop and interpret Resaca for education, benefit and inspiration of present and future generations.

The funds used for the purchase were given to the Foundation by the Greater Brownsville Incentive Corporation (GBIC), a corporation established by the citizens of the City of Brownsville for the purpose of funding economic development projects using a portion of the City's sales tax receipts.

The Project Agreement, dated October 24, 2002, between the Foundation and GBIC provides that within a period of ten years from the date, should the Foundation or the NPS discontinue operations of Resaca or no longer maintain the site, that GBIC has the right to request reimbursement of the monies advanced or conveyance of the land to GBIC by the Foundation.

In June 2004, the Foundation entered into a Cooperative Agreement with the NPS. Under this agreement, the NPS agreed to (1) pursue the inclusion of Resaca as a unit of Palo Alto, (2) provide technical assistance in managing the site, (3) pursue efforts to establish a headquarters facility at Resaca and (4) provide funding for specific projects. The Foundation agreed to (1) preserve the site for its historical significance, (2) support the NPS in its objectives as set forth in the GMP, (3) assist the NPS in obtaining funds for and in undertaking and completing specific projects, and (4) pursue the construction of the headquarters facility. The agreement is for a period of five years. The agreement can be canceled at any time by either the NPS or the Foundation with 30 days notice.

The Foundation received notification in February 2005 from the Cameron County Appraisal District that the Foundation's application for a Charitable Organization Tax Exemption was granted for the years 2003 and 2004, and therefore the Resaca property is exempt from state and local real estate taxes for those years. Included in the statement of activities are property taxes paid on the property which related to years prior to the acquisition of the property by the City of Brownsville. The Foundation paid the taxes in 2004 and has requested refunds of those amounts from the taxing authorities. If the Foundation is successful in these attempts for the refunds, the amounts collected will be credited to revenues when received.

The Foundation intends to build one or more buildings at Resaca to be used as its office, to be rented to the NPS for its headquarters facility and possibly be rented to other tenants for office space.

BROWNSVILLE COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS**

**Note 3 – Funds Held For Others**

The Foundation receives and distributes assets under certain agency arrangements. The related amounts received but not yet distributed totaled \$22,189 and \$26,186 at December 31, 2005 and 2004, respectively.

**Note 4 – Net Assets**

Included in unrestricted net assets are funds given to the Foundation by donors without restrictions or for which restrictions no longer exists. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the Board of Trustees.

Temporarily restricted net assets include funds available for grant recipients as designated by donors. Temporarily restricted net assets also include Resaca. Interest income from the investing of these funds is reported as unrestricted.

**Note 5 – Commitments and Contingencies**

*Facilities Rent*

The Foundation conducts its operations in a facility rented on a month to month basis for \$907 and \$773, in 2005 and 2004, respectively. Rent expense totaled \$10,752 and \$9,274 for the years ended December 31, 2005 and 2004, respectively.

**Note 6 – Houston Endowment Grant**

In December 2004, the Foundation received a grant from the Houston Endowment in collaboration with the Synergos Institute's Border Philanthropy Partnership in connection with the Texas Challenge Grant Program. The grant funds are available over a three year period beginning January 2005 and total \$575,000, subject to attaining certain benchmarks agreed to by the Foundation and the Houston Endowment. The grant provides for direct funds for operations of the Foundation of \$225,000, accounting software of \$25,000 and for granting to other organizations of \$50,000. In addition, the grant provides matching funds for operations totaling \$125,000 and for endowed funds of \$150,000.