

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina

FINANCIAL STATEMENTS

Year Ended June 30, 2009

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina

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Huband & Brown CPA's PLLC

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ACCOUNTANTS' REPORT

To the Board of Directors
Frankie Lemmon Foundation, Inc.
Raleigh, North Carolina

We have reviewed the accompanying statement of financial position of Frankie Lemmon Foundation, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Frankie Lemmon Foundation.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Huband & Brown CPA's PLLC

Huband & Brown CPA's PLLC
Raleigh, North Carolina
October 19, 2009

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
STATEMENT OF FINANCIAL POSITION
June 30, 2009

	Unrestricted Fund	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 694,856	\$ -	\$ -	\$ 694,856
Marketable securities	686,358	200,327	13,824	900,509
Accounts receivable	84,778	-	-	84,778
Prepaid expenses	6,091	-	-	6,091
Inventory	11,799	-	-	11,799
Total current assets	1,483,882	200,327	13,824	1,698,033
Computer equipment, net of depreciation	6,308	-	-	6,308
Total Assets	\$ 1,490,190	\$ 200,327	\$ 13,824	\$ 1,704,341
 <u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 2,553	\$ -	\$ -	\$ 2,553
Total current liabilities	2,553	-	-	2,553
Net Assets				
Unrestricted	1,487,637	-	-	1,487,637
Temporarily restricted	-	200,327	-	200,327
Permanently restricted	-	-	13,824	13,824
Total net assets	1,487,637	200,327	13,824	1,701,788
Total Liabilities and Net Assets	\$ 1,490,190	\$ 200,327	\$ 13,824	\$ 1,704,341

See accompanying notes and accountants' report.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 138,326	\$ -	\$ -	\$ 138,326
Memberships	3,100	-	-	3,100
Special events	1,239,362	-	-	1,239,362
Interest and dividends	41,627	-	-	41,627
Realized gain (loss) on investments	(76,259)	(69,088)	-	(145,347)
Unrealized gain (loss) on investments	(22,402)	(20,295)	-	(42,697)
Reimbursements	165	-	-	165
Net assets released from restrictions	11,000	(11,000)	-	-
Total Support and Revenue	1,334,919	(100,383)	-	1,234,536
EXPENSES				
Support to Frankie Lemmon School	351,481	-	-	351,481
General and administrative expense	100,160	-	-	100,160
Fund-raising	786,816	-	-	786,816
Total Expense	1,238,457	-	-	1,238,457
INCREASE (DECREASE) IN NET ASSETS	96,462	(100,383)	-	(3,921)
NET ASSETS AT BEGINNING OF YEAR	1,391,175	300,710	13,824	1,705,709
NET ASSETS AT END OF YEAR	\$ 1,487,637	\$ 200,327	\$ 13,824	\$ 1,701,788

See accompanying notes and accountants' report.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (3,921)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,277
Donated assets	(15,942)
(Increase) Decrease in operating assets	
Accounts receivable	(2,688)
Prepaid expenses	(5,000)
Inventory purchases	(10,685)
Increase (decrease) in operating liabilities	
Accounts payable	697
Realized loss on investments	145,347
Unrealized (gain) loss on investments	42,697
	155,782
Net cash provided by operating activities	155,782
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investment securities	(942,543)
Gross proceeds from sales of investment securities	937,179
	(5,364)
Net cash (used) by investing activities	(5,364)
NET INCREASE IN CASH AND CASH EQUIVALENTS	150,418
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	544,438
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 694,856

See accompanying notes and accountants' report.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	<u>GENERAL AND ADMINISTRATIVE</u>				Total
	Support to Frankie Lemmon School	Administrative	Fund-raising	Total General and Administrative	
Transfers to Frankie Lemmon School	\$ 351,481	\$ -	\$ -	\$ -	\$ 351,481
Special events direct expenses	-	-	555,117	555,117	555,117
Salaries	-	47,784	143,351	191,135	191,135
Payroll taxes	-	3,810	11,431	15,241	15,241
Benefits	-	5,961	17,883	23,844	23,844
Accounting fees	-	9,951	-	9,951	9,951
Professional fees and contract labor	-	1,126	12,211	13,337	13,337
Supplies	-	850	2,549	3,399	3,399
Bank, investment and credit card fees	-	15,613	12,532	28,145	28,145
Office expense	-	5,165	14,356	19,521	19,521
Rent	-	3,752	11,254	15,006	15,006
Meetings, travel and meals	-	1,074	2,174	3,248	3,248
Insurance	-	1,665	-	1,665	1,665
Professional development	-	1,890	-	1,890	1,890
Advertising	-	200	-	200	200
Depreciation	-	1,319	3,958	5,277	5,277
Total	<u>\$ 351,481</u>	<u>\$ 100,160</u>	<u>\$ 786,816</u>	<u>\$ 886,976</u>	<u>\$ 1,238,457</u>

See accompanying notes and accountants' report.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Frankie Lemmon Foundation, Inc. (the Foundation), located in Raleigh, North Carolina, was organized in 1987 for the purpose of providing support to Frankie Lemmon School and Developmental Center, Inc. (the School). The School is a nonprofit corporation that trains and educates persons with mental retardation and other types of developmental disabilities.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Restricted and Unrestricted Revenue

The Organization's primary sources of revenue are special events revenue and direct contributions from the public. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Functional Allocation of Expenses

The costs of providing the program and supporting services of the Foundation have been summarized on a functional basis in the Statement of Activities. Certain costs have been allocated among the programs and supporting services benefited.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1 - (Continued)

Income Tax Status

The Foundation is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi).

Investments

Investments in fixed income and equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Gains and losses are recorded in the Statement of Activities and determined using the specific identification method.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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 estimates.

Accounts Receivable

Accounts receivable relate to amounts due to the Foundation from the State of North Carolina for sales taxes paid on goods purchased by the Foundation, amounts from sponsors of fundraisers that were not received by year end and accrued interest on investments. The management of the Foundation reviews collectibility of the accounts receivable on a periodic basis; no reserve for doubtful accounts has been established.

Cash Equivalents

Cash equivalents include cash in bank in interest bearing and money market accounts with original maturities of three months or less.

Fixed Assets

Computer equipment and leasehold improvements are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets which is five years. A capitalization threshold of \$1,000 is used.

Note 2 - AFFILIATED ORGANIZATION

Frankie Lemmon Foundation, Inc. is affiliated with Frankie Lemmon School and Developmental Center, Inc. as described in Note 1. The Chairman of the Board of Directors of the School automatically holds a voting position on the board of the Foundation.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets of \$200,327 are available for facilities acquisition or improvement costs. Permanently restricted net assets consist of endowment fund investments in the amount of \$13,824 to be held indefinitely. The net income from the endowment fund is used for general support of the Foundation. Net assets of \$11,000 were released from restriction during the year ended June 30, 2009 by incurring expenses satisfying donor purpose restrictions.

Note 4 - LEASE COMMITMENTS

The Foundation leases office and storage space under a month-to-month operating lease at \$1,091 a month. Additional storage space was leased for four months at a rate of \$750 per month. The Foundation may vacate the premises without penalty with a 30-day notice. Rent expense for the year ending June 30, 2009 was \$10,206 for office space and \$4,800 for storage space.

Note 5 - INVESTMENTS

Investments are stated at fair value as reported by the brokers holding the investments. They are summarized as follows at June 30, 2009:

	Cost	Market Value
Money market (cash equivalents)	\$ 188,789	\$ 188,789
Fixed Income	430,376	417,412
Equities	526,838	482,499
Total Investments	<u>\$ 1,146,003</u>	<u>\$ 1,088,700</u>

Investment losses are attributed to temporarily restricted net assets to the extent of prior years' gains. The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 4,958	\$ -	\$ 4,958
Capital gain distributions	36,669	-	36,669
Realized gain (loss)	(76,259)	(69,088)	(145,347)
Unrealized gain (loss)	(22,402)	(20,295)	(42,697)
Brokers' fees and bank charges	(10,604)	-	(10,604)
Total Investment Return	<u>\$ (67,638)</u>	<u>\$ (89,383)</u>	<u>\$ (157,021)</u>

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 6 - FIXED ASSETS

Equipment owned at June 30, 2009 consisted of the following:

Computer equipment	\$ 4,982
Copier	10,000
Office furnishings	1,995
Leasehold improvements	4,257
Less Depreciation	<u>(14,926)</u>
Net Equipment	<u>\$ 6,308</u>

Note 7 - CONCENTRATION OF CREDIT RISK

During the year ended June 30, 2009, Frankie Lemmon Foundation, Inc. maintained two bank accounts at First Citizens Bank. Cash at this institution exceeded the federally insured limit of \$250,000 in effect at June 30, 2009 by \$204,536.

Note 8 - DONATED SERVICES, MATERIALS, AND FACILITIES

The Foundation records various types of in-kind contributions in support of their major fundraisers including professional services, materials, and facilities. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by the donation.

Contributions of tangible assets are recognized at fair market value when received. The Foundation receives significant in-kind gifts of supplies, travel costs and facilities primarily for their annual fundraiser. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Contributions of services and tangible assets meeting the criteria for recognition during the year ended June 30, 2009 are as follows:

Hotel rooms	\$ 22,359
Airline tickets	58,952
Wine for dinners	80,313
Printing, signs and advertising	38,772
Furniture, supplies and miscellaneous	3,496
Professional services - ISES contribution	<u>84,103</u>
Total In-kind Contributions	<u>\$ 287,995</u>

Additionally, the Foundation receives contributed time from many volunteers which does not meet the two recognized criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

FRANKIE LEMMON FOUNDATION, INC.
Raleigh, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 9 - RETIREMENT CONTRIBUTIONS

The Foundation pays its employees through an arrangement with the School who issues paychecks and files all payroll reports. The Foundation reimburses the School for all wages, taxes and benefits associated with the employees. Eligible employees receive a 2% employer contribution to a SIMPLE IRA retirement plan. Contributions paid by the Foundation for eligible employees in the year ending June 30, 2009 amounted to \$3,258.

Note 10 - ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of Interpretation 48 for the year ending June 30, 2009. The Organization evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.