

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1054

To the Board of Directors
Community Foundation of West Texas, Inc.
Lubbock, Texas

In planning and performing our audit of the financial statements of Community Foundation of West Texas, Inc. (the Foundation) for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain matters involving the internal control structure and its operation that we consider to be control deficiencies under standards established by the American Institute of Certified Public Accountants.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Foundation's internal control to be significant deficiencies:

Internal controls within the Foundation, are limited due to the limited number of personnel responsible for the financial records, which makes segregation of responsibilities impractical.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

This communication is intended solely for the information and use of the Board of Directors and management of the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 25, 2016

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1054

July 25, 2016

Board of Directors
Community Foundation of West Texas, Inc.
Lubbock, Texas

We have audited the financial statements of Community Foundation of West Texas, Inc. (the Foundation) for the year ended December 31, 2015, and have issued our report thereon dated July 25, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 10, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with generally accepted accounting principles in the United States of America. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Foundation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Foundation's financial statements and report does not extend beyond the financial information identified in the report, in addition we do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and meetings about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are

described in the notes to the financial statements. During the year ending December 31, 2015 the Foundation did not adopt any new accounting standards. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was the estimation of depreciation.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure relating to the investment levels based on inputs used to calculate fair market value of investments in Note 1.

Investment footnote disclosures in Note 2.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached adjustments detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 25, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Client: 46550 - Community Foundation of West Texas, Inc.
Engagement: 46550 - Community Foundation of West Texas, Inc.
Period Ending: 12/31/2015
Trial Balance: 017 - Trial Balance by Fund
Workpaper: 001 - By Fund AJE

| Account | Description | W/P Ref | Debit | Credit |
|--|---|---------|-------------------|-------------------|
| Adjusting Journal Entries JE # 1 | | | | |
| To correct posting of grant receivable. | | | | |
| 01-44000 | Building Income | | 250,000.00 | |
| 01-12400 | Grant Receivable | | | 250,000.00 |
| Total | | | 250,000.00 | 250,000.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| To move Hero's Luncheon for comparative purposes. | | | | |
| 01-47000 | Fundraiser Income | | 141,997.40 | |
| 01-48500 | Donor Recognition Events | | | 141,997.40 |
| Total | | | 141,997.40 | 141,997.40 |
| Adjusting Journal Entries JE # 3 | | | | |
| To move CWIP to Fixed Assets and record retirements. | | | | |
| 01-15100 | Office Building | | 565,032.98 | |
| 01-15500 | Accumulated Depreciation | | 70,282.66 | |
| 01-15000 | Furniture & Equipment | | | 13,115.53 |
| 01-15560 | Construction in Progress - New Building | | | 565,032.98 |
| 01-53265 | Miscellaneous building expense | | | 57,167.13 |
| Total | | | 635,315.64 | 635,315.64 |
| Adjusting Journal Entries JE # 4 | | | | |
| To remove mangement fees and income between funds and transfer equity that is available for administrative use based on management fees. | | | | |
| 01-42000 | Management Fees | | 322,761.45 | |
| 02-31000 | Endowment Funds | | 215,960.98 | |
| 03-31150 | Scholarship Funds | | 57,651.72 | |
| 04-31151 | Pass-through Funds | | 3,661.47 | |
| 05-31062 | W. B. and Mozelle Rushing Fund Balance | | 32,911.08 | |
| 06-31153 | Levelland Funds | | 3,682.88 | |
| 08-31194 | Post-Garza County Endowment | | 3,532.48 | |
| 09-31197 | The Plainview Area Endowment | | 3,948.92 | |
| 10-31229 | Mercy Ministries Slaton Area Endowment | | 1,411.92 | |
| 01-31055 | Operating Fund Balance | | | 322,761.45 |
| 02-50200 | Management Fees | | | 215,960.98 |
| 03-50200 | Management Fees | | | 57,651.72 |
| 04-50200 | Management Fee | | | 3,661.47 |
| 05-50200 | Management Fees | | | 32,911.08 |
| 06-50200 | Management Fees | | | 3,682.88 |
| 08-50200 | Management Fees | | | 3,532.48 |
| 09-50200 | Management Fees | | | 3,948.92 |
| 10-50200 | Management Fees | | | 1,411.92 |
| Total | | | 645,522.90 | 645,522.90 |
| Adjusting Journal Entries JE # 5 | | | | |
| To adjust agency endowment fund activity to a liability that was originally posted as a revenue and expense. | | | | |
| 07-41000 | Interest on Deposits | | 44,563.19 | |
| 07-45100 | Contributions | | 67,116.24 | |
| 07-45200 | Realized Gains/Losses | | 58,446.51 | |
| 02-31000 | Endowment Funds | | | 20,020.10 |

Client: **46550 - Community Foundation of West Texas, Inc.**
Engagement: **46550 - Community Foundation of West Texas, Inc.**
Period Ending: **12/31/2015**
Trial Balance: **017 - Trial Balance by Fund**
Workpaper: **001 - By Fund AJE**

| Account | Description | W/P Ref | Debit | Credit |
|--------------|-------------------------|---------|-------------------|-------------------|
| 07-31156 | Agency Endowment Funds | | | 575.71 |
| 07-45300 | Unrealized Gains/Losses | | | 73,590.86 |
| 07-50100 | Grants | | | 55,402.95 |
| 07-50200 | Management Fees | | | 8,039.00 |
| 07-50300 | Investment Fees | | | 12,497.32 |
| Total | | | 170,125.94 | 170,125.94 |

Adjusting Journal Entries JE # 6
To record current depreciation.

| | | | | |
|--------------|--------------------------|--|------------------|------------------|
| 01-53890 | Depreciation Expense | | 11,274.20 | |
| 01-15500 | Accumulated Depreciation | | | 11,274.20 |
| Total | | | 11,274.20 | 11,274.20 |

Adjusting Journal Entries JE # 7
To adjust ML to statement.

| | | | | |
|--------------|--------------------------------|--|-------------------|-------------------|
| 02-13200 | Asset Mgmt Accts Inv Principal | | 59,895.26 | |
| 02-13250 | Morgan Stanley Smith Barney | | 9,710.30 | |
| 02-13300 | Fair Mkt Val Adj | | 159,069.67 | |
| 02-13301 | FMV Adjustment-Smith Barney | | | 25,595.99 |
| 02-45200 | Realized Gains/Losses | | | 29,832.01 |
| 02-45300 | Unrealized Gains/Losses | | | 165,526.76 |
| 02-50300 | Investment Fees | | | 7,720.47 |
| Total | | | 228,675.23 | 228,675.23 |

Client: 46550 - Lubbock Area Foundation
 Engagement: 46550 - 2015 Lubbock Area Foundation
 Period Ending: 12/31/2015
 Trial Balance: 017 - Trial Balance- No Fund
 Workpaper: 017 - Adjusting Journal Entries Report - No Fund

| Account | Description | W/P Ref | Debit | Credit |
|--|---|---------|-------------------|-------------------|
| Adjusting Journal Entries JE # 1 | | | | |
| To correct posting of grant receivable. | | | | |
| 44000 | Building Income | | 250,000.00 | |
| 12400 | Grant Receivable | | | 250,000.00 |
| Total | | | 250,000.00 | 250,000.00 |
| Adjusting Journal Entries JE # 2 | | | | |
| To move Hero's Luncheon for comparative purposes. | | | | |
| 47000 | Fundraiser Income | | 141,997.40 | |
| 48500 | Donor Recognition Events | | | 141,997.40 |
| Total | | | 141,997.40 | 141,997.40 |
| Adjusting Journal Entries JE # 3 | | | | |
| To move CWIP to Fixed Assets and record retirements. | | | | |
| 15100 | Office Building | | 565,032.98 | |
| 15500 | Accumulated Depreciation | | 70,282.66 | |
| 15000 | Furniture & Equipment | | | 13,115.53 |
| 15560 | Construction in Progress - New Building | | | 565,032.98 |
| 53265 | Miscellaneous building expense | | | 57,167.13 |
| Total | | | 635,315.64 | 635,315.64 |
| Adjusting Journal Entries JE # 4 | | | | |
| To remove mangement fees and income between funds and transfer equity that is available for administrative use based on management fees. | | | | |
| 31000 | Endowment Funds | | 215,960.98 | |
| 31062 | W. B. and Mozelle Rushing Fund Balance | | 32,911.08 | |
| 31150 | Scholarship Funds | | 57,651.72 | |
| 31151 | Pass-through Funds | | 3,681.47 | |
| 31153 | Levelland Funds | | 3,682.88 | |
| 31194 | Post-Garza County Endowment | | 3,532.48 | |
| 31197 | The Plainview Area Endowment | | 3,948.92 | |
| 31229 | Mercy Ministries Slaton Area Endowment | | 1,411.92 | |
| 42000 | Management Fees | | 322,761.45 | |
| 31055 | Operating Fund Balance | | | 322,761.45 |
| 50200 | Management Fees | | | 322,761.45 |
| Total | | | 645,522.90 | 645,522.90 |
| Adjusting Journal Entries JE # 5 | | | | |
| To adjust agency endowment fund activity to a liability that was originally posted as revenue and expense. | | | | |
| 41000 | Interest on Deposits | | 44,563.19 | |
| 45100 | Contributions | | 67,116.24 | |
| 45200 | Realized Gains/Losses | | 58,446.51 | |
| 31000 | Endowment Funds | | | 20,020.10 |
| 31156 | Agency Endowment Funds | | | 575.71 |
| 45300 | Unrealized Gains/Losses | | | 73,590.86 |
| 50100 | Grants | | | 55,402.95 |
| 50200 | Management Fees | | | 8,039.00 |
| 50300 | Bank Fees | | | 12,497.32 |
| Total | | | 170,125.94 | 170,125.94 |

Client: 46550 - Lubbock Area Foundation
 Engagement: 46550 - 2015 Lubbock Area Foundation
 Period Ending: 12/31/2015
 Trial Balance: 017 - Trial Balance- No Fund
 Workpaper: 017 - Adjusting Journal Entries Report - No Fund

| Account | Description | W/P Ref | Debit | Credit |
|---|--------------------------|---------|------------------|------------------|
| Adjusting Journal Entries JE # 6 | | | | |
| To record current depreciation. | | | | |
| 53890 | Depreciation Expense | | 11,274.20 | |
| 15500 | Accumulated Depreciation | | | 11,274.20 |
| Total | | | 11,274.20 | 11,274.20 |

| | | | | |
|---|---------------------------------|--|------------|------------|
| Adjusting Journal Entries JE # 7 | | | | |
| To adjust ML to statement. | | | | |
| 13200 | Asset Mgmt Accts Principal | | 59,895.26 | |
| 13250 | Morgan Stanley Smith Barney | | 9,710.30 | |
| 45300 | Unrealized Gains/Losses | | 159,069.67 | |
| 13300 | Asset Mgmt Accts FMV Adjustment | | | 25,595.99 |
| 13301 | FMV Adjustment-Smith Barney | | | 29,832.01 |
| 45200 | Realized Gains/Losses | | | 165,526.76 |
| 50300 | Bank Fees | | | 7,720.47 |

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

LUBBOCK, TEXAS

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014**

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

LUBBOCK, TEXAS

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014**

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1054

Independent Auditor's Report

Board of Directors
Community Foundation of West Texas, Inc.
Lubbock, Texas

Report on Financial Statements

We have audited the accompanying financial statements of Community Foundation of West Texas, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of West Texas, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Foundation of West Texas, Inc.'s 2014 financial statements and our report dated June 25, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 25, 2016

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

ASSETS

| | December 31, | |
|--|---------------|---------------|
| | 2015 | 2014 |
| Cash and Cash Equivalents | \$ 922,152 | \$ 824,698 |
| Certificates of Deposit | 1,969,968 | 1,703,759 |
| Grant Receivable | | 250,000 |
| Accounts Receivable | 76,247 | |
| Investments - Marketable Securities | 32,568,748 | 33,608,888 |
| Construction in Progress | | 5,463 |
| Fixed Assets at Cost Less Accumulated Depreciation of \$27,148 in 2015 and \$72,656 in 2014 | 728,718 | 311,391 |
| Total Assets | \$ 36,265,833 | \$ 36,704,199 |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------|---------------|
| Liabilities | | |
| Funds Held as Agency Endowments | \$ 1,888,488 | \$ 1,884,398 |
| Other Liabilities | 20,426 | 14,191 |
| Total Liabilities | \$ 1,908,914 | \$ 1,898,589 |
| Net Assets | | |
| Unrestricted | | |
| Available for General Use | \$ 33,628,201 | \$ 34,049,756 |
| Equity in Fixed Assets | 728,718 | 316,854 |
| Temporarily Restricted | | 439,000 |
| | \$ 34,356,919 | \$ 34,805,610 |
| Total Liabilities and Net Assets | \$ 36,265,833 | \$ 36,704,199 |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

| | Unrestricted | Temporarily Restricted | December 31, | |
|--|----------------------|------------------------|----------------------|----------------------|
| | | | 2015 | 2014 |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Contributions | \$ 1,597,437 | \$ | \$ 1,597,437 | \$ 1,336,571 |
| Interest and Dividend Income | 784,918 | | 784,918 | 723,491 |
| Investments Realized Net Gains | 1,192,226 | | 1,192,226 | 1,238,752 |
| Investments Unrealized Net Gains (Losses) | (1,434,460) | | (1,434,460) | 75,535 |
| Grants | 40,000 | | 40,000 | 411,000 |
| Other Income | 166,826 | | 166,826 | 421,650 |
| Total | \$ 2,346,947 | \$ 0 | \$ 2,346,947 | \$ 4,206,999 |
| Net Assets Released from Restrictions | \$ 439,000 | \$ (439,000) | \$ 0 | \$ 0 |
| Total Revenue, Gains, and Other Support | \$ 2,785,947 | \$ (439,000) | \$ 2,346,947 | \$ 4,206,999 |
| EXPENSES | | | | |
| Grants and Scholarships | \$ 1,981,283 | \$ | \$ 1,981,283 | \$ 1,120,071 |
| Other Program Expenses | 462,476 | | 462,476 | 518,798 |
| Fund Raising | 281,914 | | 281,914 | 314,647 |
| Administrative and General | 69,965 | | 69,965 | 84,202 |
| Total | \$ 2,795,638 | \$ 0 | \$ 2,795,638 | \$ 2,037,718 |
| CHANGE IN NET ASSETS | \$ (9,691) | \$ (439,000) | \$ (448,691) | \$ 2,169,281 |
| NET ASSETS AT BEGINNING OF YEAR | 34,366,610 | 439,000 | 34,805,610 | 32,636,329 |
| NET ASSETS AT END OF YEAR | \$ 34,356,919 | \$ 0 | \$ 34,356,919 | \$ 34,805,610 |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

| | December 31, | |
|--|--------------|----------------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (448,691) | \$ 2,169,281 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Net Unrealized Losses (Gains) on Investments | 1,434,460 | (75,535) |
| Net Realized Losses (Gains) on Investments | (1,192,226) | (1,238,752) |
| Depreciation | 24,774 | 13,610 |
| Change in Assets | 173,753 | (145,000) |
| Change in Liabilities | 6,235 | 38,415 |
| Net Cash From Operating Activities | \$ (1,695) | \$ 762,019 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to Fixed Assets | \$ (600,126) | \$ (134,859) |
| Purchases of Investments | (14,919,129) | (18,774,982) |
| Proceeds from Sale of Investments | 15,618,404 | 17,654,651 |
| Net Cash From Investing Activities | \$ 99,149 | \$ (1,255,190) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | \$ 97,454 | \$ (493,171) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 824,698 | 1,317,869 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 922,152 | \$ 824,698 |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Community Foundation of West Texas (the Foundation) was incorporated October 14, 1980, as a nonprofit, charitable organization exempt from federal income taxes under Internal Revenue Code 501(c)(3). Community Foundation of West Texas, formerly known as Lubbock Area Foundation changed names in September of 2015. The purpose of the Foundation is to receive and accept funds and property to be administered exclusively for charitable purposes primarily in and for the South Plains community.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Uncertain Tax Positions

The Foundation has adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Foundation is its filing status as a tax exempt entity. The Foundation determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authorities. The Foundation is no longer subject to examinations by federal taxing authorities for years before 2012. The Foundation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the year ended December 31, 2015.

Classification of Net Assets

Unrestricted Net Assets:

Substantially all contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation's governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of principal, all or part of the principal, of any fund may be used subject to certain conditions, including approval of the Board of Directors. Accordingly, the financial statements classify these assets as unrestricted but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

Unrestricted net assets include:

| | | |
|------------------------------|----|-------------------|
| Endowment Funds | \$ | 33,479,545 |
| Available for Administration | | 148,656 |
| Equity in Fixed Assets | | 728,718 |
| | \$ | <u>34,356,919</u> |

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

Fair Value Investments

The Foundation follows generally accepted financial accounting standards which provide a framework for measuring fair value under GAAP. The standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

These levels, defined by the valuation techniques are described below:

Level 1 – Inputs include quoted prices in active markets for identical assets.

Level 2 – Inputs include available indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

Level 3 – Inputs are subjective and generally based on the entity's own assumptions on how knowledgeable parties would price assets and are developed using the best information available in the circumstances.

See Note 2 below for a detail of Endowment Investments and their fair value.

In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the statement of activities. Income from investments is recorded as earned on an accrual basis. Investments are made according to the Investment Policy adopted by the Foundation's Board of Directors.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Spending Policy

The Foundation adopted a spending policy for invested contributions received. Unless the donor specifically states otherwise, annual distribution is to be based on a percentage (presently established at five percent in 2015 and five percent in 2014) of the average market value of the invested contributions.

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

Grants

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

Donated Services

A portion of the Foundation's functions is conducted by board members and unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements because the criterion for recognition has not been met.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

2. Investments

The Foundation's Endowment Funds consist of long-term investments in equity and fixed income securities. The assets are held substantially by Merrill Lynch Investment Group and other custodian banks. The Investment Group advises and invests the funds. Overseeing these investments are the Foundation's Board of Directors, the Investment Committee, the Executive Director and the Finance Director. These investments are recorded at their fair market value.

Values in the investments at December 31, 2015 consist of the following:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Investment Level</u> |
|--------------------------------------|----------------------|----------------------|-------------------------|
| Short Term Investments | \$ 1,463,784 | \$ 1,630,524 | 1 |
| Corporate Stocks | 20,099,999 | 22,630,693 | 1 |
| U.S. Governmental Agency Obligations | 5,100,189 | 5,156,250 | 2 |
| Mutual Funds | 199,619 | 199,619 | 1 |
| Corporate Bonds | 2,998,080 | 2,951,662 | 2 |
| | <u>\$ 29,861,671</u> | <u>\$ 32,568,748</u> | |

Realized and unrealized investment gains or losses are determined by comparison of asset cost to net proceeds received at the time of disposal and changes in the difference between fair values and cost, respectively. Realized and unrealized gains and losses are included in net gain (loss) on investments in the statement of activities. The change in fair value for the year ended December 31, 2015 for investments still held on those dates is as follows:

Net Change in Fair Value \$ (1,434,460)

3. Fixed Assets

Fixed assets are recorded at cost or the fair value of the gift if donated. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at an annual rate of 5% to 33%. Depreciation expense for the year ended December 31, 2015 was \$24,774.

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

The following represents the detail of fixed assets for the year ended December 31, 2015:

| | Original Cost | Accumulated Depreciation | Book Value |
|------------------------------|-------------------|-----------------------------|-------------------|
| Land | \$ 131,691 | \$ | \$ 131,691 |
| Buildings | 565,033 | 11,088 | 553,945 |
| Office Furniture & Equipment | 59,142 | 16,060 | 43,082 |
| | <u>\$ 755,866</u> | <u>\$ 27,148</u> | <u>\$ 728,718</u> |

4. Pension Benefits

The Foundation provides a defined contribution plan pension benefit to its employees through an IRC Section 403(b) contract. The cost to the Foundation was \$8,279 in 2015.

5. Functional Expenses

| | Program | Fund Raising | Administrative and General | Total |
|-----------------------------------|---------------------|-------------------|-------------------------------|---------------------|
| Grants and Scholarships | \$ 1,981,283 | \$ | \$ | \$ 1,981,283 |
| Personnel Costs | 383,126 | 132,435 | 33,109 | 548,670 |
| Professional and Special Services | 52,902 | 37,445 | 22,543 | 112,890 |
| Office Occupancy and Expense | 316 | | | 316 |
| Marketing and Development | 22,696 | 112,034 | 14,313 | 149,043 |
| Library | 3,436 | | | 3,436 |
| | <u>\$ 2,443,759</u> | <u>\$ 281,914</u> | <u>\$ 69,965</u> | <u>\$ 2,795,638</u> |

6. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consisted of the following at December 31, 2015:

| | Balance 1/1/15 | Contributions | Released From Restrictions | Balance 12/31/15 |
|---------------------------------------|-------------------|---------------|-------------------------------|---------------------|
| Time Restricted Net Assets | | | | |
| Community Endowment Challenge | \$ 56,000 | \$ | \$ (56,000) | \$ 0 |
| CH Foundation Library Addition Grant | 25,000 | | (25,000) | 0 |
| Roadmap to Strengthening South Plains | 80,000 | | (80,000) | 0 |
| Keep Lubbock Beautiful | 28,000 | | (28,000) | 0 |
| CH Foundation Building Grant | 250,000 | | (250,000) | 0 |
| | <u>\$ 439,000</u> | <u>\$ 0</u> | <u>\$ (439,000)</u> | <u>\$ 0</u> |

This balance represents monies contributed or paid to the Foundation to be used for future purposes.

COMMUNITY FOUNDATION OF WEST TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

7. Funds Held As Agency Endowments

This account represents endowment funds accepted by the Foundation from nonprofit organizations that specify itself as beneficiary of the fund. The Foundation, Inc. has legal ownership and ultimate variance power over the funds; however, for accounting purposes the agencies recognize a beneficial interest in the assets.

8. Concentration of Credit Risk

The Foundation maintains cash in local bank accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At times during the year the balance in these accounts exceeded the insured limits.

9. Micro Loan Program

The Foundation offers a program to guarantee business development loans. Applicants must meet certain requirements to qualify. Approved applicants may apply to a participating bank for a loan through the banks regular loan application process. The participating banks process and service the loans. The Foundation guarantees 75% of the balance of each loan up to \$3,750 through an Endowment Fund previously established at the Foundation. The Foundation had no outstanding guarantee obligations as of December 31, 2015.

10. Leases

The Foundation is leasing a Xerox Work Centre 7120 copy machine under an operating lease with Lubbock National Bank. The agreement began May 2013 and is for 36 months, the related lease expense for the period ending December 31, 2015 was \$610. The future minimum lease payments for 2016 are \$1,463.

11. Commitments

The Foundation has an obligation to fund scholarships in subsequent years providing the current recipients remain qualified and attend school. The present obligation to be paid in the years 2016, 2017, 2018, and 2019 totals \$69,981.

12. Subsequent Events

The Foundation's management has evaluated subsequent events through July 25, 2016, the date which the financial statements were available for issue.