

**The Byerly Foundation**  
Hartsville, South Carolina

**Audited Financial Statements**  
**As of and for the Years ended**  
**September 30, 2008 and 2007**

***Audited Financial Statements***  
***As of and for the Years ended September 30, 2008 and 2007***

**The Byerly Foundation**  
Hartsville, South Carolina  
(a non-profit organization)

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**Independent Auditors' Report**

To the Board of Directors  
The Byerly Foundation  
Hartsville, South Carolina

We have audited the accompanying statement of financial position of The Byerly Foundation. (a non-profit organization) as of September 30, 2008, and related statement of activities, and cash flows for the year 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. The financial statements of The Byerly Foundation as of and for the year ended September 30, 2007, were audited by other auditors whose report dated January 10, 2008, expressed an unqualified opinion on those statements.

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 provide 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 The Byerly Foundation as of September 30, 2008, and the results of its activities, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Moore Beuston & Woodham L.L.P.*

Hartsville, South Carolina  
March 10, 2009



The Byerly Foundation  
 Statements of Financial Position  
 As of September 30,

	2008	2007
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,044,456	\$ 1,276,823
Investments	20,874,922	25,631,653
Prepaid assets	16,602	-
Property and equipment, net	186,070	196,286
<b>Total Assets</b>	<b>\$ 22,122,050</b>	<b>\$ 27,104,762</b>
<b><u>Liabilities</u></b>		
Accounts payable and accrued expenses	21,945	1,694
Grants payable	402,160	658,172
<b>Total liabilities</b>	<b>424,105</b>	<b>659,866</b>
<b><u>Net assets</u></b>		
Unrestricted	21,697,945	26,444,896
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,122,050</b>	<b>\$ 27,104,762</b>

*See accompanying notes and independent auditors' report.*

**The Byerly Foundation**  
**Statements of Activities**  
For the Years ended September 30,

	2008	2007
<b>Revenues, Gains, and Other Support</b>		
Investment income	\$ 776,269	\$ 799,862
Realized gains on sale of investments	195,260	1,875,006
Unrealized (losses) gains investments	(4,071,797)	112,980
<b>Total Revenues, Gains, and Other Support</b>	<b>(3,100,268)</b>	<b>2,787,848</b>
<b>Expenses</b>		
<b>Program services</b>		
Grants and awards	1,201,683	1,221,781
Community relations expense	151,550	23,612
Salaries and payroll taxes	49,755	46,263
Legal and professional	7,564	6,520
Utilities and phone	5,337	5,414
Insurance	9,421	14,635
Office supplies and operating expenses	7,348	8,935
Repairs and maintenance	1,389	6,598
Community survey	3,250	-
Printing	1,905	1,508
Other program related expenses	190	1,853
Miscellaneous	2,514	6,696
<b>Total program services</b>	<b>1,441,906</b>	<b>1,343,815</b>
<b>Management and supporting services</b>		
Legal and professional	5,746	-
Salaries and payroll taxes	20,415	19,780
Utilities and phone	2,972	2,320
Travel and seminars	2,193	1,709
Investment related expense	143,962	178,853
Office supplies and operating expenses	5,595	4,448
Miscellaneous	2,407	2,638
Repairs and maintenance	790	2,828
Licenses, fees, and taxes	2,003	1,866
Depreciation	10,216	10,216
Federal excise tax	8,478	25,048
<b>Total management and supporting services</b>	<b>204,777</b>	<b>249,706</b>
<b>Total Expenses</b>	<b>1,646,683</b>	<b>1,593,521</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(4,746,951)</b>	<b>1,194,327</b>
<b>Unrestricted Net Assets at Beginning of Year</b>	<b>26,444,896</b>	<b>25,250,569</b>
<b>Unrestricted Net Assets at End of Year</b>	<b>\$ 21,697,945</b>	<b>\$ 26,444,896</b>

*See accompanying notes and independent auditors' report.*

**The Byerly Foundation**  
**Statements of Cash Flows**  
For the Years ended September 30,

	2008	2007
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (4,746,951)	\$ 1,194,327
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,216	10,216
Realized and unrealized losses (gains) on investments, net	3,876,537	(1,987,986)
(Increase) decrease in prepaid expenses	(16,602)	-
(Decrease) increase in grants payable	(256,012)	(121,056)
Increase (decrease) in accounts payable and accrued expenses	20,251	(11,193)
<b>Net cash (used) provided by operating activities</b>	<b>(1,112,561)</b>	<b>(915,692)</b>
<b>Cash Flows from Investing Activities:</b>		
Decrease (increase) in investments	880,194	1,969,496
<b>Net cash provided by investing activities</b>	<b>880,194</b>	<b>1,969,496</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	(232,367)	1,053,804
Cash and cash equivalents at beginning of year	1,276,823	223,019
Cash and cash equivalents at end of year	\$ 1,044,456	\$ 1,276,823
<b>Supplemental Data:</b>		
Cash paid for federal excise tax	\$ 25,088	\$ 36,037

*See accompanying notes and independent auditors' report.*

The Byerly Foundation  
Notes to the Financial Statements  
September 30, 2008 and 2007

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

Nature of Operations

The Byerly Foundation, the "Foundation" was formed for the purpose of serving the charitable needs and interests of the Hartsville, South Carolina community and surrounding area, and to benefit and promote the well being of the people who reside primarily in the principal community.

The Foundation began operations on September 1, 1995, as a result of the sale of certain assets of The Byerly Hospital to Hartsville H.A., Inc., a wholly owned subsidiary of Health Management Associates, Inc. Hartsville H.A. purchased all assets, of the Hospital excluding cash, cash equivalents, investments, land, building, and building improvements and assumed certain liabilities included in the Hospital's statement of financial position as of August 31, 1995. Effective with the sale of these assets of the Hospital, the Hospital changed the name of the entity to The Byerly Foundation.

The Foundation's goal is to serve the charitable needs and interests of the Hartsville, South Carolina community and surrounding area. The Foundation makes grants to exempt organizations under section 501 (c) (3) of the Internal Revenue Code and the area schools. The grants are approved by the Board of Trustees. Its revenues are derived from financial investments of the Foundation.

Basis of Accounting

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

Display of Net Assets by Class

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Byerly Foundation  
Notes to the Financial Statements  
September 30, 2008 and 2007

**Note 1 - Summary of Significant Accounting Policies (continued)**

Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. In accordance with that guidance, The Foundation accounts for its marketable equity and debt securities at fair value. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 3.

Property, Furniture and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight line method. The Foundation has no formal capitalization policy other than assets with a life greater than one year are capitalized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC). The Code imposes an excise tax of 1% on net investment income of private foundations.

**Note 2 - Concentration of Credit Risk**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, marketable securities and other investments with high-quality financial institutions; however, cash balances may periodically exceed federally insured limits. Marketable securities are generally placed in mutual funds administered by an investment manager in order to limit credit risk.

The Byerly Foundation  
Notes to the Financial Statements  
September 30, 2008 and 2007

**Note 3 - Investments**

Investments are reported on the basis of quoted market prices. The Foundation's unrestricted investments at September 30, 2008 and 2007 consisted of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Government securities	\$ 3,340,236	\$ 3,379,999	\$ 3,020,348	\$ 2,999,929
Corporate bonds	2,100,097	2,039,609	2,161,671	2,193,861
Equities	7,198,401	6,790,929	11,387,326	13,837,269
Other	9,409,458	8,605,364	6,038,286	6,539,215
Accrued interest		59,021	-	61,379
	\$ 22,048,192	\$ 20,874,922	\$ 22,607,631	\$ 25,631,653

Investment securities are exposed to various risks, such as interest rate, market risk, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position.

Investment charges with Merrill Lynch are shown separately on the Statement of Activities as investment related expense. The charges consist of the following for 2008 and 2007:

	2008	2007
Foreign taxes	\$ 5,947	\$ 7,760
Fees	121,069	132,607
Amortization	16,946	38,486
	\$ 143,962	\$ 178,853

The Byerly Foundation  
Notes to the Financial Statements  
September 30, 2008 and 2007

**Note 3 - Investments (continued)**

Investment return is summarized as follows:

	<u>2008</u>	<u>2007</u>
Investment income	\$ 776,269	\$ 799,862
Net realized (losses) gains	195,260	1,875,006
Net unrealized (losses) gains	<u>(4,071,797)</u>	<u>112,980</u>
	<u>\$ (3,100,268)</u>	<u>\$ 2,787,848</u>

**Note 4 - Property, Plant and Equipment**

Property, furniture, and equipment include the following at September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 48,278	\$ 48,278
Buildings	251,385	251,386
Equipment	<u>46,126</u>	<u>46,126</u>
	345,789	345,790
Less accumulated depreciation	<u>(159,719)</u>	<u>(149,504)</u>
Net property, furniture, and equipment	<u>\$ 186,070</u>	<u>\$ 196,286</u>

The Byerly Foundation  
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**Note 5 - Grants Payable**

Grants payable in more than one year are discounted to their present value at the time the grants are made using an interest rate of 5%. Grants payable at September 30, 2008 and 2007 are summarized as follows:

	2008	2007
Payable in less than one year	\$ 281,726	\$ 590,100
Payable in one to five years	126,930	92,000
Grants authorized but unpaid	408,656	682,100
Less discounts on long term grants payable	(6,496)	(23,928)
Net grants authorized but unpaid	<u>\$ 402,160</u>	<u>\$ 658,172</u>

Grants and awards expense for each year are calculated as follows:

	2008	2007
New grants authorized	\$ 1,184,251	\$ 1,217,537
Net change in present value	17,432	4,244
Refunded or unused grant	-	-
	<u>\$ 1,201,683</u>	<u>\$ 1,221,781</u>

**Note 6 - Net Assets**

Due to the lack of donor-imposed restrictions, the Foundation's net assets are all considered unrestricted.

**Note 7 - Retirement Plan**

The Byerly foundation is responsible for the Byerly Hospital's voluntary -- fixed tax deferred annuity retirement plan. This plan was the plan that the hospital had when it existed. When the hospital's assets were transferred to the foundation, the retirement plan assets were included. The effective date of the plan was January 1, 1990. An annual 5500 form is filed each year.

**Note 8 -- Reclassification of Financial Statement Presentation**

Certain reclassifications have been made to the September 30, 2007 financial statements to conform to the September 30, 2008 financial statement presentation. Such reclassifications have had no effect on the increase in net assets as previously reported.

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**Note 9 - Subsequent Events – Investments**

From September 30, 2008 through February 27, 2009, the Foundation experienced additional unrealized losses on investment market value. This decline in the fair market value of the investments is primarily due to the overall downturn in the United States economy. The amount of cash and investments at February 28, 2009 was approximately \$17,700,000.

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