

**LOS ALAMOS NATIONAL LABORATORY  
FOUNDATION**

**Consolidated Financial Statements**

**December 31, 2009**

**(With Independent Auditors' Report Thereon)**



*Barraclough & Associates, P.C.*  
Certified Public Accountants & Consultants

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Los Alamos National Laboratory Foundation:


We have audited the consolidated statement of financial position of Los Alamos National Laboratory Foundation (Foundation) as of December 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2008 financial statements and, in our report dated April 28, 2009 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Los Alamos National Laboratory Foundation at December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 4, 2010, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplemental schedule of consolidating balance sheet and consolidating statement of activities is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial condition of the individual entity. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Donald E. Hancock, C.T.", written in a cursive style.

May 4, 2010

LOS ALAMOS NATIONAL LABORATORY FOUNDATION

Consolidated Statement of Financial Position

December 31, 2009

(with summarized information for 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Summarized Total
<b>Assets</b>				
Cash and cash equivalents	\$ 317,417	\$ 1,146,547	\$ -	\$ 2,319,090
Investments (note 4)	-	13,620,337	43,031,016	48,694,337
Accounts receivable (note 5)	341,404	72,680	-	528,055
Property and equipment, net (note 7)	1,574,601	-	-	1,647,562
Other assets	10,100	-	-	10,100
Total assets	\$ 2,243,522	\$ 14,839,564	\$ 43,031,016	\$ 53,199,144
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 103,544	\$ -	\$ -	\$ 97,800
Grants payable (note 8)	610,466	-	-	871,766
Notes payable (note 12)	1,106,277	-	-	1,124,018
Funds held for others	17,098	-	-	18,382
Other liabilities	3,570	-	-	-
Total liabilities	1,840,955	-	-	2,111,966
Net assets (note 9)	402,567	14,839,564	43,031,016	51,087,178
Total liabilities and net assets	\$ 2,243,522	\$ 14,839,564	\$ 43,031,016	\$ 53,199,144

The accompanying notes are an integral part of these consolidated financial statements.

**LOS ALAMOS NATIONAL LABORATORY FOUNDATION**

**Consolidated Statement of Activities**

**December 31, 2009**

**(with summarized information for 2008)**

	2009			2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Summarized Total
<b>Support and Revenue</b>				
Contributions (note 9)	\$ 34,084	\$ 409,636	\$ 41,560	\$ 555,844
Grants and contracts (note 9)	109,948	3,688,940	33,562	4,415,855
Special events	93,503	-	-	174,550
Investment gain (loss) income (note 4)	1,037,561	7,705,492	-	(15,663,745)
Other income	25,262	-	-	1,775
Net assets released from restrictions	4,392,338	(4,392,338)	-	-
<b>Total support and revenue</b>	<b>5,692,696</b>	<b>7,411,730</b>	<b>75,122</b>	<b>(10,515,721)</b>
<b>Expenses</b>				
<b>Program</b>				
Educational enrichment grants	2,873,812	-	-	2,824,535
Educational outreach grants	663,853	-	-	685,194
Community outreach grants	93,428	-	-	91,000
Scholarships	321,172	-	-	242,974
Math and Science Academy	89,730	-	-	144,678
First Born	434,486	-	-	692,237
Regional Education Quality Center	100,000	-	-	-
Annual conference	49,260	-	-	-
Program operating expenses	623,391	-	-	568,229
Total program expenses	5,249,132	-	-	5,248,847
General and administrative	506,475	-	-	399,849
Fundraising	237,972	-	-	221,670
<b>Total expenses</b>	<b>5,993,579</b>	<b>-</b>	<b>-</b>	<b>5,870,366</b>
<b>Increase (decrease) in net assets</b>	<b>(300,883)</b>	<b>7,411,730</b>	<b>75,122</b>	<b>(16,386,087)</b>
<b>Net assets at beginning of year</b>	<b>703,450</b>	<b>7,427,834</b>	<b>42,955,894</b>	<b>67,473,265</b>
<b>Net assets at end of year</b>	<b>\$ 402,567</b>	<b>\$ 14,839,564</b>	<b>\$ 43,031,016</b>	<b>\$ 51,087,178</b>

The accompanying notes are an integral part of these consolidated financial statements.

LOS ALAMOS NATIONAL LABORATORY FOUNDATION

Consolidated Statement of Cash Flows

Year Ended December 31, 2009  
(with summarized information for 2008)

	2009	2008
Cash flows from operating activities:		
(Increase) decrease in net assets	\$ 7,185,969	\$ (16,386,087)
Adjustments to reconcile to net cash from operating activities:		
Depreciation expense	92,313	40,893
Unrealized (gains) losses on investments	(7,705,494)	17,459,328
Capital gain distributions and realized gains on investments	(42,201)	(16,060)
Bad debt expense	-	21,626
Contributions restricted for long-term purposes, including accounts receivable	(75,122)	(645,775)
Decrease (Increase) in assets:		
Accounts receivable	113,971	(104,084)
Prepaid expenses	-	1,816
Other assets	-	150
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,744	(156,307)
Grants payable	(261,300)	(11,040)
Funds held for others	(1,284)	(2,863)
Other liabilities	3,570	-
Net cash (used in) provided by operating activities	<u>(683,834)</u>	<u>201,597</u>
Cash flows from investing activities:		
Purchases of investments	(599,117)	(56,729)
Reinvested interest, dividends and capital gains	389,789	(658,734)
Proceeds from sale of investments	-	242,654
Acquisition of fixed assets	(19,353)	(751,745)
Notes payable proceeds	-	599,538
Notes payable principal paid	(17,741)	(6,922)
Net cash (used in) provided by investing activities	<u>(246,422)</u>	<u>(631,938)</u>
Cash flows from financing activities:		
Contributions restricted to investment in endowment	<u>75,122</u>	<u>645,775</u>
Net (decrease) increase in cash and cash equivalents	(855,126)	215,434
Cash and cash equivalents at beginning of year	<u>2,319,090</u>	<u>2,103,656</u>
Cash and cash equivalents at end of year	<u>\$ 1,463,964</u>	<u>\$ 2,319,090</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 71,779</u>	<u>\$ 65,122</u>

The accompanying notes are an integral part of these consolidated financial statements.

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 1. Nature of Activities

Los Alamos National Laboratory Foundation (Foundation) is a New Mexico not-for-profit corporation, incorporated on April 17, 1997 for charitable, educational, and other lawful purposes consistent with the New Mexico Nonprofit Corporation Act. In particular, the Foundation is organized for the purpose of receiving and administering gifts and grants dedicated to support charitable and educational public service activities in northern New Mexico. In May of 2007, the Foundation formed a Single Member For Profit LLC, Building Equity, LLC (LLC). The purpose of the LLC is to construct and operate the building, which is occupied by the Foundation and another entity. The building was completed in 2008.

### 2. Summary of Significant Accounting Policies

The Foundation's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The preparation of financial statements in conformity with generally accepted accounting principles 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. The following paragraphs describe the basis of presentation and summarize the more significant accounting policies:

#### Basis of Accounting

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) became effective on July 1, 2009. At that date, the ASC became FASB's officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. All other accounting literature is considered non-authoritative.

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605-45-3, Revenue Recognition – Contributions Received which requires not for profit entities 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 depending on the existence or nature of any donor restrictions.

*Permanently Restricted* – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which do not expire by passage of time.

*Temporarily Restricted* – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Foundation.

*Unrestricted* – Those net assets that are neither permanently or temporarily restricted.

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 2. Summary of Significant Accounting Policies (Continued)

#### Support and Revenue

Grants and contributions (gifts) received and unconditional promises to give are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, if they are designated as support for future periods or if the date of payment is beyond the current year. When a donor 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.

#### Funds Held for Others

The Foundation raises funds for schools, through the Fund For Education, to assist them in establishing endowment funds. These funds are held and invested by the Foundation until such time as the schools have established their own independent endowment funds.

#### In-Kind Donations

The Foundation receives in-kind donations of materials and services. Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 605-25-16, *Revenue Recognition – Contributed Services*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation received \$4,000 in contributed services for 2009 and \$11,700 for 2008.

#### Grants Awarded

Grants awarded by the Foundation are charged to operations and recorded as liabilities upon approval by the Foundation's Board of Directors. All grants payable at December 31, 2009 are scheduled for payment during the year ending December 31, 2010.

#### Investments

Investments are reported at market value, which results in unrealized gains and losses being recognized as market value changes.

#### Income Tax Status

The Foundation is exempt from federal income and unemployment taxes under Internal Revenue Code Section 501(c)(3). The Foundation files an annual information return (form 990) with the Internal Revenue Service. Unrelated income, if any, may be subject to income taxes which has been determined to be immaterial.

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 2. Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment with cost in excess of \$1,000 are capitalized. Purchased equipment is stated at cost. Contributed equipment is reflected at estimated fair market value at the date of contribution. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 7 years. The building is depreciated over 39 years utilizing the straight-line method.

#### Allocation of Functional Expenses

The Foundation allocates expenses not applicable to a single activity to the appropriate activities based on the estimated percentage of time employees spend on each of the programs.

#### Compensated Absences

All eligible employees accrue vacation time at a rate of 10 hours per month. Accrued but unused vacation up to 240 hours may be carried from year to year, and a liability for compensated absences has been recorded.

#### Cash Equivalents

Cash equivalents include money market accounts, including \$1,447,181 at December 31, 2009 and \$2,256,598 at December 31, 2008 in the Short Term Investment Pool managed by the University of California Office of the Treasurer, and any securities with an original maturity date of less than 90 days.

#### Concentration of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk primarily consist of cash and investments. Periodically throughout 2009 and 2008, the Foundation has maintained cash balances in excess of insured limits. As of December 31, 2009 and 2008, the amounts on deposit at the banks did not exceed the FDIC limit. To reduce its risk, the Foundation places its cash and investments with a highly rated financial institution and pools managed by the University of California. The investment pools are not insured.

#### Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 2. Summary of Significant Accounting Policies

#### Reclassification

Certain 2008 items may have been reclassified in order to conform to the 2009 financial statement presentation.

#### Basis of Consolidation

As described above, the accompanying consolidated financial statements for 2009 include the accounts of the Foundation and the LLC. All significant balances and transactions between entities have been eliminated.

### 3. Endowment Funds

The Foundation's endowment consists of 4 individual funds, the Educational Enrichment, Domenici Endowment, John and Marti Bowne Leadership Scholarships, Scholarships and Public School Endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund. The Foundation had adopted investment and spending policies based on the requirements of the State Uniform Management of Institutional Funds Act (SUMIFA). As a result of the Foundation's interpretation of SUMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate. Income from the fund is classified with temporary restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the net assets are reclassified to unrestricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donors require the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature at December 31, 2009 and 2008.

### 4. Investments

Investments consist of the following at December 31:

	2009		2008	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
General Endowment Pool, Managed by University of California	<u>\$ 56,651,353</u>	<u>\$ 46,301,125</u>	<u>\$48,694,337</u>	<u>\$46,049,604</u>

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 4. Investments (Continued)

The General Endowment Pool (GEP) is managed by the University of California and the Foundation has no control in the investment decisions of the GEP. The GEP includes absolute return hedge funds. Investments in these funds are valued by the University of California at the Foundation's pro rata interest in the GEP. Investments in these funds consist of approximately 25% and 22% of the entire portfolio at December 31, 2009 and 2008, respectively. Investment fees are nine basis points, netted from income earned before it is distributed. For information on University of California's endowment investment policy, holdings, unit values and the annual endowment report, please visit [www.ucop.edu/treasurer](http://www.ucop.edu/treasurer).

The Foundation invests in funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Net investment income consists of the following:

	<u>2009</u>	<u>2008</u>
Interest on short-term funds	\$ 45,375	\$ 61,846
Interest and dividends on long-term investments	949,983	1,717,587
Realized gain on investments	42,201	16,060
Unrealized gains (losses) on investments	<u>7,705,494</u>	<u>(17,459,238)</u>
Net investment income (loss)	<u>\$ 8,743,053</u>	<u>\$ (15,663,745)</u>

**LOS ALAMOS NATIONAL LABORATORY FOUNDATION**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2009**

5. Accounts Receivable

Accounts receivable at December 31 consist of the following:

	2009	2008
Annual banquet	\$ 59,035	\$ 33,535
General operations support	6,578	8,505
Public Schools endowments	17,283	14,821
Leadership endowment	22,419	29,087
Domenici endowment	16,853	27,618
Scholarship program pledges, net of \$21,080 and \$27,040 allowance for doubtful accounts for 2009 and 2008, respectively	171,053	122,894
Tuitions reimbursable	35,518	49,019
CYFD	-	36,287
Los Alamos National Security, LLC	72,680	200,000
Other receivables	12,665	6,289
	\$ 414,084	\$ 528,055

Certain receivables will be received over the next two years. No discount was taken in 2009 and 2008, as the amount was deemed immaterial.

6. Lease Receivable

Effective July 1, 2009, the LLC and the New Mexico Highlands University entered into a three lease agreement. Building lease income for the year ended December 31, 2009 was approximately \$21,000.

Future scheduled lease payments receivable are as follows:

Due in one year or less	\$ 42,846
Due after one year through five	64,268
Total	\$ 107,114

**LOS ALAMOS NATIONAL LABORATORY FOUNDATION**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2009**

**7. Property and Equipment**

A summary of property and equipment at December 31 is as follows:

	2009	2008
Land	\$ 165,711	\$ 165,711
Building and improvements	1,302,523	1,286,913
Furniture	171,003	169,861
Computers, equipment and software	169,991	164,790
Vehicle	25,333	25,333
	1,834,561	1,812,608
Less accumulated depreciation	(259,960)	(165,036)
	\$ 1,574,601	\$ 1,647,572

Depreciation expense for the years ended December 31, 2009 and 2008 was \$92,313 and \$40,893, respectively.

**8. Grants Payable**

The grants payable consist of the following at December 31:

	2009	2008
	\$ 610,466	\$ 871,766

A discount for the grants payable has not been recorded as the amount is immaterial to the financial statements.

During 2009 and 2008, the Foundation made conditional multiple year grant awards. These grants will be recognized when the conditions of the grants are substantially met. If the conditions of these grants are met, the Foundation will make Educational Outreach grants of \$200,000 in 2010 and \$100,000 in 2011.

**LOS ALAMOS NATIONAL LABORATORY FOUNDATION**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2009**

9. Restricted Net Assets

Restricted net assets consist of the following at December 31:

	2009		2008	
	Temporarily Restricted	Permanently Restricted Endowments	Temporarily Restricted	Permanently Restricted Endowments
Educational enrichment	\$ 12,952,859	\$ 41,444,726	\$ 5,901,998	\$ 41,444,726
Educational outreach	154,190	-	77,621	-
First Born	-	-	69,876	-
Math and Science	603,332	-	526,199	-
Regional Educational Quality Center	-	-	100,000	-
Public Schools	-	675	-	675
Domenici endowment	149,514	616,367	-	585,067
John and Marti Browne Leadership scholarships	13,569	228,357	-	218,607
Scholarships	966,100	740,891	752,140	706,819
	<u>\$ 14,839,564</u>	<u>\$ 43,031,016</u>	<u>\$ 7,427,834</u>	<u>\$ 42,955,894</u>

Several of the scholarships awarded by the Foundation are four-year commitments that are conditional on the student maintaining a grade point average of 3.0. These scholarships will be recognized each year if the conditions are met. As of December 31, 2009, conditional scholarship awards comprise \$397,500 of the \$966,100 restricted for scholarships. As of December 31, 2008, conditional scholarship awards comprised \$323,500 of the \$752,140 restricted for scholarships.

**LOS ALAMOS NATIONAL LABORATORY FOUNDATION**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2009**

**10. Revenues**

Contributions consist of the following:

	<u>2009</u>	<u>2008</u>
Individuals and business:		
Building	\$ 1,996	\$ 30,950
First Born	65,600	132,650
Math and Science Academy	125,000	150,000
Scholarship program	238,843	131,130
Scholarship endowments	41,560	51,844
General and other	12,281	59,270
	<u>\$ 485,280</u>	<u>\$ 555,844</u>

Grants and contracts consist of the following

	<u>2009</u>	<u>2008</u>
Grants and contracts consist of the following:		
Department of Energy/Los Alamos National Security, LLC	\$ 3,000,000	\$ 3,000,000
Los Alamos National Security, LLC	642,793	1,028,663
State of New Mexico Children, Youth & Families	189,657	387,192
	<u>\$ 3,832,450</u>	<u>\$ 4,415,855</u>

**11. Operating Leases**

The Foundation leases office space from Building Equity, LLC. The lease is for five years with an automatic renewal for an additional five years. The rent income and expense has been eliminated from the financial statements through the consolidating entries.

The Foundation leases office space in Espanola for the Math & Science Academy administration. The lease expired June 19, 2009, and is now on a month-to-month agreement.

The Foundation leases a printer and two copiers under lease agreements. They also rent other office equipment and a storage shed under month-to-month lease agreements. Total lease costs for space and equipment in 2009 and 2008 were approximately \$37,000.

**LOS ALAMOS NATIONAL LABORATORY FOUNDATION**

**Notes to Consolidated Financial Statements (Continued)**

**December 31, 2009**

**11. Operating Leases (Continued)**

Future minimum payments under operating leases having remaining lease terms in excess of one year as of December 31, 2009, are as follows:

2010	\$	7,722
2011		<u>1,538</u>
	\$	<u><u>9,260</u></u>

**12. Notes Payable and Line of Credit**

At December 31, debt of the Foundation and LLC consisted of the following:

	2009	2008
Note payable to a bank for vehicle purchase, matures July 2, 2011, fixed rate of interest 6.0%. The note payable is collateralized by the vehicle.	\$ 8,857	\$ 14,034
Mortgage payable (LLC), payable to a bank with monthly payments of \$7,029, maturing on October 1, 2038, with a fixed rate of interest 6.5%. The note is secured by a mortgage on the property owned by Building Equity, LLC.	<u>1,097,420</u>	<u>1,109,984</u>
	<u><u>\$ 1,106,277</u></u>	<u><u>\$ 1,124,018</u></u>

The Foundation also has a \$3,000,000 line of credit secured by property, equipment, fixtures, accounts receivable, inventory, and funds received from Los Alamos National Security, LLC. At December 31, 2009 and 2008, the balance on the line of credit was \$0.

The future scheduled maturities of debt are as follows:

Year ending	Principal
2010	\$ 18,902
2011	17,665
2012	15,261
2013	16,283
2014	17,374
2015 and Thereafter	<u>1,020,792</u>
	<u><u>\$ 1,106,277</u></u>

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 13. Retirement Plan

The Foundation has a 401k plan. All employees who work for twelve consecutive months and at least 1000 hours are eligible for discretionary employer-paid benefit. For 2009 and 2008, the benefit was 8% of annual compensation. The retirement expense was \$34,467 and \$46,383 for 2009 and 2008 respectively.

### 14. Grants

The Foundation has a grant contract with Los Alamos National Security, LLC (LANS) for annual funding of \$654,000 for Education Outreach, the Math and Science Academy, a Regional Educational Quality Center and scholarships for the University of California non-resident fees. The grant began in 2007 and continues through 2011. LANS also provides matching funds, up to \$250,000, for employee contributions to the Los Alamos Employees' Scholarship Fund. The Foundation received \$627,794 and \$1,028,663 in 2009 and 2008, respectively, from LANS. The Foundation has accrued a receivable for \$72,680 at December 31, 2009 for the portion of funds for the Math and Science Academy and the Regional Educational Quality Center to be received in 2010.

Also in 2007, the Foundation received a one year grant of \$3,000,000 from the Department of Energy, administered by LANS, for educational enrichment and outreach. In 2008, the grant was extended through September 30, 2013, with decreases in funding. Funding for 2010 is estimated to be \$2,500,000.

### 15. Contracts

In 2006, the Foundation entered into a contract with the State of New Mexico's Children, Youth and Families Department (CYFD) to provide services and support to first time families in the Rio Arriba County. The CYFD will provide startup funds of \$1,000,000 over a three year period beginning October 2006 based on expenses incurred by the program. The Foundation is to raise matching funds over the second and third years of the program. The Foundation has received \$189,657 in funding from CYFD for the year ended December 31, 2009.

### 16. Related Party Transactions

Members of the Board and employees of the Foundation provide financial assistance to the Foundation through restricted and unrestricted support. Included in donation revenue is \$27,489 and \$74,111 from members of the Board and employees for the year ended December 31, 2009 and 2008, respectively. Some members of the board also provided \$0 and \$3,043 in goods during 2009 and 2008 respectively.

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Notes to Consolidated Financial Statements (Continued)

December 31, 2009

### 17. Concentrations

In 2006, the management of Los Alamos National Laboratory was awarded to Los Alamos National Security LLC, (LANS). The language in the new contract did not specify the amount to be awarded annually to the LANL Foundation. LANS, DOE and LANL Foundation signed a new Institutional Agreement (IA) in 2007 that will guide the new funding sources under the new contract. The new contract was for one year and was extended in 2008. In addition, LANS has committed to meeting or exceeding the annual funding previously provided by the University of California. A reduction of funding from LANS or DOE would have a material adverse effect on the Foundation's financial operations.

### 18. Contingency

The Foundation receives funds from federal and state agencies. These funds are subject to audit and adjustment to the granting agency. Any disallowed amounts resulting from these audits would be required to be refunded.

### 19. Subsequent Event

Management and the Board of Directors of the Foundation have evaluated events through May 4, 2010, the date the financial statements were available to be issued. There were no items deemed to be significant that require disclosure or adjustment to the 2009 financial statements.



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Joseph A. Sisneros, C.P.A.

**Managers**

Douglas W. Fraser, C.P.A.  
Laura Parker, C.P.A.  
Rick W. Reynolds, C.P.A.  
Katherine M. Rowe, C.P.A.  
Tracy Ann Stoddart, C.P.A.  
Rhonda G. Williams, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Board of Directors  
Los Alamos National Laboratory Foundation:

We have audited the consolidated financial statements of Los Alamos National Laboratory Foundation (the Foundation) as of and for the year ended December 31, 2009, and have issued our report thereon dated May 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Los Alamos National Laboratory Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Los Alamos National Laboratory 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Douglas J. H. ...". The signature is written in a cursive style and is positioned to the right of the date.

May 4, 2010

LOS ALAMOS NATIONAL LABORATORY FOUNDATION

Schedule of Expenditures of Federal Awards

December 31, 2009

<u>Federal Grantor/Program</u>	<u>Federal</u>	<u>Cumulative Federal Expenditures</u>
Department of Energy Endowment	81 .unknown	\$35,048,000
		<u>Current Year Expenditures</u>
Department of Energy Educational Enrichment and Outreach	81 .unknown	\$3,000,000

General

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Los Alamos National Laboratory Foundation.

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

Endowment

The Department of Energy (DOE) provided funds to the Foundation for the educational enrichment endowment fund. The cumulative balance of the federal award for the endowment fund which are federally restricted are considered awards expended in each year in which the funds are still restricted.

Educational Enrichment Grants

The Department of Energy (DOE) through the Los Alamos National Security, LLC provided funds to the Foundation for the educational enrichment and education outreach grants distributed annually.

# LOS ALAMOS NATIONAL LABORATORY FOUNDATION

## Schedule of Findings and Questioned Costs

December 31, 2009

### A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Los Alamos National Laboratory Foundation.
2. There were no material weaknesses or significant deficiencies identified during the audit of the consolidated financial statements of Los Alamos National Laboratory Foundation.
3. No instances of noncompliance material to the consolidated financial statements of Los Alamos National Laboratory Foundation were disclosed during the audit.
4. There were no material weaknesses identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Los Alamos National Laboratory Foundation expresses an unqualified opinion.
6. No significant deficiencies pertaining to the major federal award programs are reported in this schedule.
7. The major programs tested were:  
  
Agency: Department of Energy  
Program title: Los Alamos National Laboratory Foundation - Endowment  
CFDA No.: 81. unknown  
  
Agency: Department of Energy  
Program title: Los Alamos National Laboratory Foundation – Educational Enrichment and Outreach  
CFDA No.: 81. unknown
8. The threshold for Type A program was \$300,000
9. Los Alamos National Laboratory Foundation was determined to be a low-risk auditee.

### B. Findings – Financial Statement Audit

None.

### C. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

#### Status of Prior Year Findings

There were no prior year findings.



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Los Alamos National Laboratory Foundation:

Compliance

We have audited the compliance of Los Alamos National Laboratory Foundation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Los Alamos National Laboratory Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Los Alamos National Laboratory Foundation's management. Our responsibility is to express an opinion on Los Alamos National Laboratory Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Los Alamos National Laboratory Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Los Alamos National Laboratory Foundation's compliance with those requirements.

In our opinion, Los Alamos National Laboratory Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

### Internal Control Over Compliance

The management of Los Alamos National Laboratory Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Los Alamos National Laboratory Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Los Alamos National Laboratory Foundation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Los Alamos National Laboratory Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, U.S. Department of Energy and other federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



May 4, 2010

LOS ALAMOS NATIONAL LABORATORY FOUNDATION

Schedule of Consolidating Statement of Financial Position

December 31, 2009

	Foundation	Building Equity, LLC	Elimination Entries	Consolidated Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,457,585	\$ 6,379	\$ -	\$ 1,463,964
Investments	56,651,353	-	-	56,651,353
Accounts receivable	410,164	3,920	-	414,084
Due from LLC	151,193	-	(151,193)	-
Property and equipment, net	142,572	1,432,029	-	1,574,601
Investment in LLC	190,145	-	(190,145)	-
Other assets	10,100	-	-	10,100
Total assets	<u>\$ 59,013,112</u>	<u>\$ 1,442,328</u>	<u>\$ (341,338)</u>	<u>\$ 60,114,102</u>
<b><u>Liabilities and Net Assets</u></b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 103,544	\$ -	\$ -	\$ 103,544
Grants payable	610,466	-	-	610,466
Due to Foundation	-	151,193	(151,193)	-
Notes payable	8,857	1,097,420	-	1,106,277
Funds held for others	17,098	-	-	17,098
Other liabilities	-	3,570	-	3,570
Total liabilities	<u>739,965</u>	<u>1,252,183</u>	<u>(151,193)</u>	<u>1,840,955</u>
Net assets	<u>58,273,147</u>	<u>190,145</u>	<u>(190,145)</u>	<u>58,273,147</u>
Total liabilities and net assets	<u>\$ 59,013,112</u>	<u>\$ 1,442,328</u>	<u>\$ (341,338)</u>	<u>\$ 60,114,102</u>

See Independent Auditors' Report

LOS ALAMOS NATIONAL LABORATORY FOUNDATION

Schedule of Consolidating Statement of Activities

Year Ended December 31, 2009

	2009			
	Foundation	Building Equity, LLC	Elimination Entries	Consolidated Total
<b>Support and Revenue</b>				
Contributions (note 10)	\$ 485,280	\$ -	\$ -	\$ 485,280
Grants and contracts (note 10)	3,832,450	-	-	3,832,450
Special events	93,503	-	-	93,503
Investment income (note 3)	8,743,053	-	-	8,743,053
Other (loss) income	(24,741)	117,882	(67,879)	25,262
<b>Total support and revenue</b>	<b>13,129,545</b>	<b>117,882</b>	<b>(67,879)</b>	<b>13,179,548</b>
<b>Expenses</b>				
<b>Program</b>				
Educational enrichment grants	2,873,812	-	-	2,873,812
Educational outreach grants	663,853	-	-	663,853
Community outreach grants	93,428	-	-	93,428
Scholarships	321,172	-	-	321,172
Math and Science Academy	89,730	-	-	89,730
First Born	434,486	-	-	434,486
Regional Education Quality Center	100,000	-	-	100,000
Annual conference	49,260	-	-	49,260
Program operating expenses	672,107	-	(48,716)	623,391
<b>Total program expenses</b>	<b>5,297,848</b>	<b>-</b>	<b>(48,716)</b>	<b>5,249,132</b>
General and administrative	391,177	142,623	(27,325)	506,475
Fundraising	254,551	-	(16,579)	237,972
<b>Total expenses</b>	<b>5,943,576</b>	<b>142,623</b>	<b>(92,620)</b>	<b>5,993,579</b>
<b>Increase (decrease) in net assets</b>	<b>7,185,969</b>	<b>(24,741)</b>	<b>24,741</b>	<b>7,185,969</b>
Net assets at beginning of year	51,087,178	214,886	(214,886)	51,087,178
Net assets at end of year	<u>\$ 58,273,147</u>	<u>\$ 190,145</u>	<u>\$ (190,145)</u>	<u>\$ 58,273,147</u>

See Independent Auditors' Report

