

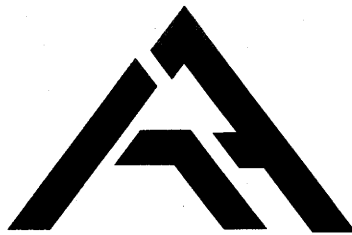
**THE LYNDON BAINES JOHNSON FOUNDATION**

**FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION**

**Years Ended August 31, 2011 and 2010**

**The Lyndon Baines Johnson Foundation**  
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**Years Ended August 31, 2011 and 2010**

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**ATCHLEY & ASSOCIATES<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## **Independent Auditors' Report**

Board of Trustees  
The Lyndon Baines Johnson Foundation

We have audited the accompanying statements of financial position of The Lyndon Baines Johnson Foundation (the Foundation) as of August 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 audits 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 Lyndon Baines Johnson Foundation at August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of activities by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Atchley & Associates, LLP*

Austin, Texas  
November 15, 2011

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**The Lyndon Baines Johnson Foundation**  
**Statements of Financial Position**  
**August 31, 2011 and 2010**

	2011	2010
<b>Assets</b>		
Current assets:		
Cash and interest-bearing accounts	\$ 3,221,523	\$ 2,450,105
Dividends, interest and other receivables, net of allowance for doubtful accounts of \$0 and \$45,000, respectively	399,424	385,048
Inventories	120,866	120,051
Total current assets	3,741,813	2,955,204
Investments	153,765,198	137,896,512
Total assets	\$ 157,507,011	\$ 140,851,716
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 37,630	\$ 35,298
Total current liabilities	37,630	35,298
Net assets:		
Unrestricted net assets		
Undesignated	68,017,270	64,555,411
Board designated	6,055,455	5,429,061
Total unrestricted net assets	74,072,725	69,984,472
Temporarily restricted net assets	49,358,673	37,514,220
Permanently restricted net assets	34,037,983	33,317,726
Total net assets	157,469,381	140,816,418
Total liabilities and net assets	\$ 157,507,011	\$ 140,851,716

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

**The Lyndon Baines Johnson Foundation**  
**Statement of Activities**  
**Year Ended August 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>				
<b>Support:</b>				
Contributions	\$ 1,014,286	\$ 1,912,158	\$ 712,800	\$ 3,639,244
<b>Total support</b>	<b>1,014,286</b>	<b>1,912,158</b>	<b>712,800</b>	<b>3,639,244</b>
<b>Revenue:</b>				
Investment earnings	583,413	593,109	-	1,176,522
Net gains on sales of investments	3,201,852	3,389,583	-	6,591,435
<b>Total revenue</b>	<b>3,785,265</b>	<b>3,982,692</b>	<b>-</b>	<b>7,767,957</b>
Net assets released from restriction	4,422,917	(4,422,917)	-	-
<b>Total support and revenue</b>	<b>9,222,468</b>	<b>1,471,933</b>	<b>712,800</b>	<b>11,407,201</b>
<b>Expenses:</b>				
<b>Program services:</b>				
<b><u>In support of LBJ School:</u></b>				
Program support	900,361	-	-	900,361
Academic support	35,108	-	-	35,108
Student support	273,900	-	-	273,900
Research	121,944	-	-	121,944
Fellowships	698,292	-	-	698,292
Chair salaries and support	559,948	-	-	559,948
Public programs	90,000	-	-	90,000
RGK Center for Philanthropy	1,438,471	-	-	1,438,471
Ethics in leadership	65,734	-	-	65,734
<b><u>In support of LBJ Library and Museum:</u></b>				
Archives support	278,299	-	-	278,299
Museum	829,095	-	-	829,095
Public programs	299,265	-	-	299,265
Public relations	167,869	-	-	167,869
Special projects	157,503	-	-	157,503
Technical support	299,414	-	-	299,414
Administrative support	113,673	-	-	113,673
Volunteers	55,309	-	-	55,309
Education outreach	68,621	-	-	68,621
Awards and grants	49,053	-	-	49,053
Museum store	(27,703)	-	-	(27,703)
Future forums	25,116	-	-	25,116
<b>Total program services</b>	<b>6,499,272</b>	<b>-</b>	<b>-</b>	<b>6,499,272</b>

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

**The Lyndon Baines Johnson Foundation**  
**Statement of Activities (continued)**  
**Year Ended August 31, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Fundraising:</b>				
Fundraising expenses	249,851	-	-	249,851
Total fundraising	249,851	-	-	249,851
<b>Administrative:</b>				
Investment advisory fees	-	-	-	-
Management and professional fees	131,710	-	-	131,710
General and staff	413,705	-	-	413,705
Total administrative	545,415	-	-	545,415
Total expenses	7,294,538	-	-	7,294,538
Excess of support and revenue over expenses before transfers between funds	1,927,930	1,471,933	712,800	4,112,663
Transfers between funds	(4,140,012)	4,140,012	-	-
Excess of support and revenue over expenses	(2,212,082)	5,611,945	712,800	4,112,663
Net assets at beginning of year	69,984,472	37,514,220	33,317,726	140,816,418
Change in unrealized gain	6,300,335	6,232,508	7,457	12,540,300
Net assets at end of year	<u>\$ 74,072,725</u>	<u>\$ 49,358,673</u>	<u>\$ 34,037,983</u>	<u>\$ 157,469,381</u>

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

**The Lyndon Baines Johnson Foundation**  
**Statement of Activities**  
**Year Ended August 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>				
<b>Support:</b>				
Contributions	\$ 258,119	\$ 454,645	\$ 966,263	\$ 1,679,027
<b>Total support</b>	<b>258,119</b>	<b>454,645</b>	<b>966,263</b>	<b>1,679,027</b>
<b>Revenue:</b>				
Investment earnings	547,985	535,810	-	1,083,795
Net gains on sales of investments	3,084,702	3,035,153	-	6,119,855
<b>Total revenue</b>	<b>3,632,687</b>	<b>3,570,963</b>	<b>-</b>	<b>7,203,650</b>
 Net assets released from restriction	 2,611,763	 (2,611,763)	 -	 -
 <b>Total support and revenue</b>	 <b>6,502,569</b>	 <b>1,413,845</b>	 <b>966,263</b>	 <b>8,882,677</b>
<b>Expenses:</b>				
<b>Program services:</b>				
<u><b>In support of LBJ School:</b></u>				
Program support	717,303	-	-	717,303
Academic support	27,000	-	-	27,000
Student support	413,233	-	-	413,233
Research	76,250	-	-	76,250
Fellowships	410,319	-	-	410,319
Chair salaries and support	456,137	-	-	456,137
Public programs	-	-	-	-
RGK Center for Philanthropy	965,013	-	-	965,013
Ethics in leadership	70,834	-	-	70,834
<u><b>In support of LBJ Library and Museum:</b></u>				
Archives support	275,187	-	-	275,187
Museum	248,912	-	-	248,912
Public programs	252,461	-	-	252,461
Public relations	166,273	-	-	166,273
Special projects	170,977	-	-	170,977
Technical support	261,978	-	-	261,978
Administrative support	182,264	-	-	182,264
Volunteers	71,735	-	-	71,735
Education outreach	38,291	-	-	38,291
Awards and grants	81,887	-	-	81,887
Museum store	(3,195)	-	-	(3,195)
Future forums	9,773	-	-	9,773
<b>Total program services</b>	<b>4,892,632</b>	<b>-</b>	<b>-</b>	<b>4,892,632</b>

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



**The Lyndon Baines Johnson Foundation**  
**Statement of Activities (continued)**  
**Year Ended August 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Fundraising:</b>				
Fundraising expenses	-	-	-	-
<b>Total fundraising</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administrative:</b>				
Investment advisory fees	-	-	-	-
Management and professional fees	138,165	-	-	138,165
General and staff	435,143	-	-	435,143
<b>Total administrative</b>	<b>573,308</b>	<b>-</b>	<b>-</b>	<b>573,308</b>
<b>Total expenses</b>	<b>5,465,940</b>	<b>-</b>	<b>-</b>	<b>5,465,940</b>
Excess of support and revenue over expenses before transfers between funds	1,036,629	1,413,845	966,263	3,416,737
Transfers between funds	(299,990)	499,990	(200,000)	-
Excess of support and revenue over expenses	736,639	1,913,835	766,263	3,416,737
Net assets at beginning of year	64,750,585	31,206,821	32,551,463	128,508,869
Change in unrealized gain	4,497,248	4,393,564	-	8,890,812
Net assets at end of year	<u>\$ 69,984,472</u>	<u>\$ 37,514,220</u>	<u>\$ 33,317,726</u>	<u>\$ 140,816,418</u>

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

**The Lyndon Baines Johnson Foundation**  
**Statements of Cash Flows**  
**Years Ended August 31, 2011 and 2010**

	2011	2010
<b>Operating Activities</b>		
Excess of support and revenue over expenses after transfers	\$ 4,112,663	\$ 3,416,737
Adjustments:		
Decrease (increase) in receivables	(14,376)	592,969
Decrease (increase) in inventories	(815)	9,056
Increase (decrease) in accounts payable	2,332	(66,985)
Total adjustments	(12,859)	535,040
Net cash provided by operating activities	4,099,804	3,951,777
<b>Investing Activities</b>		
Investments in marketable equity and debt securities	(3,988,861)	(3,850,498)
Proceeds from sale of marketable equity and debt securities	7,251,910	6,904,511
Gain on disposal of securities	(6,591,435)	(6,119,855)
Net cash used in investing activities	(3,328,386)	(3,065,842)
Increase (decrease) in cash and interest-bearing accounts	771,418	885,935
Cash and interest-bearing accounts at beginning of year	2,450,105	1,564,170
Cash and interest-bearing accounts at end of year	\$ 3,221,523	\$ 2,450,105
Interest expenses paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

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

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**1. Significant Accounting Policies**

**Organization**

The Lyndon Baines Johnson Foundation (the Foundation) was formed in 1969 to manage and hold funds to support the operations of the LBJ Library and the LBJ School of Public Affairs, its only beneficiaries. Effective September 1, 2006, the Internal Revenue Service determined that the Foundation was a public charity under Code section 170(b)(1)(A)(vi).

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**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 the amounts reported in the financial statements and accompanying notes and schedules. Actual results could differ from those estimates.

**Contributions**

The Foundation accounts for contributions in accordance with Accounting Standards Codification (FASB ASC) 958-605-05 issued by the Financial Accounting Standards Board. FASB ASC 958-605-05 requires that unconditional promises to give cash or other assets be recognized by both donees and donors at fair value in the period the promise is made.

Contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions which are not designated by the donor to be for specific purposes are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**1. Significant Accounting Policies (continued)**

**Financial Statements**

The Foundation follows the guidance of FASB ASC 958-205-05. Under FASB ASC 958-205-05, the Foundation 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. As permitted under FASB ASC 958-205-05, the Foundation also discloses management-designated limitations on the use of its unrestricted net assets. In addition, the Foundation is required to present a statement of cash flows.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash consists of cash on hand or in demand deposit accounts. Cash equivalents are short-term, interest-bearing instruments with maturity dates of 90 days or less at the time of purchase.

**Investments**

The Foundation pools its investments into a single portfolio. The income earned by the investment portfolio and all gains and losses from security transactions are allocated to the various funds based on the fund's balance at the beginning of the period.

**Inventories**

Inventories at The Lyndon Baines Johnson Library Sales Desk are valued at the lower of cost (first-in, first-out method) or market.

**Tax-Exempt Status**

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

**Subsequent Events**

Management of the Foundation has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**2. Investments**

The Foundation's investments are in a single portfolio managed by the University of Texas Investment Management Company (UTIMCO). The Foundation purchased units of a pooled long-term fund, which allows for greater diversification than a traditional portfolio. At August 31, 2011 and 2010, the Foundation owned 23,033,402.31 and 23,068,141.09 units of the fund, respectively. Realized gains for the years ended August 31, 2011 and 2010, were \$6,591,435 and \$6,119,855, respectively.

At August 31, 2011 and 2010, there were aggregate unrealized gains of \$6,162,227 and \$117,820 and aggregate unrealized losses of \$364,449 and \$6,860,342 on investment securities, respectively.

Per the investment agreement between the Foundation and UTIMCO, no investment fees are paid by the Foundation to UTIMCO.

**3. Fair Value Measurements**

During the fiscal year ended August 31, 2009, the Foundation implemented FASB ASC 820, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.  |
| Level 2 | Inputs to the valuation methodology include:<br><br>Quoted prices for similar assets or liabilities in active markets;<br><br>Quoted prices for identical or similar assets or liabilities in inactive markets;<br><br>Inputs other than quoted prices that are observable for the asset or liability;<br><br>Inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br><br>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**3. Fair Value Measurements (continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2011 and 2010.

Valuation of investment shares is based on the net asset value (NAV) of shares held at the end of the year.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
UTIMCO Fund Shares	\$ -	\$ 153,765,198	\$ -	\$ 153,765,198
	\$ -	\$ 153,765,198	\$ -	\$ 153,765,198

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
UTIMCO Fund Shares	\$ -	\$ 137,896,512	\$ -	\$ 137,896,512
	\$ -	\$ 137,896,512	\$ -	\$ 137,896,512

**4. Retirement Plan**

The Foundation has a defined contribution retirement plan, under the provisions of Internal Revenue Code Section 403(b), covering substantially all employees. The Foundation contributed an amount equal to 6% of each participant's includable compensation for the plan years ended December 31, 2010 and 2009. The Foundation's contribution to this plan was \$42,366 and \$45,461 for the plan years ended December 31, 2010 and 2009, respectively.

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**5. Credit Risk**

The Foundation maintains its demand deposit accounts with two financial institutions in Central Texas. These balances are fully insured by the Federal Deposit Insurance Corporation. The Foundation entered into an automated sweep agreement with Frost National Bank (the Bank) in February 2005. The Foundation maintains a target collected balance of \$200,000 in its main account, and any excess amount will be automatically invested in a Repurchase Agreement transaction every night. Each morning, the full amount of the purchase, plus earned interest, is credited back to the main account.

**6. Board Designated Unrestricted Net Assets**

At August 31, 2011 and 2010, board designated unrestricted net assets consisted of:

	2011	2010
Ethics in Leadership Fund	\$ 1,526,004	\$ 1,390,154
LBJ Library Interactive Fund	3,985,655	3,575,925
Lady Bird Library Fund	543,796	462,982
Total	<u>\$ 6,055,455</u>	<u>\$ 5,429,061</u>

**7. Temporarily Restricted Net Assets**

At August 31, 2011 and 2010, temporarily restricted net assets consisted of:

	2011	2010
Restricted for LBJ Library Use:		
Moody Foundation Fund	\$ 4,556,297	\$ 4,085,481
Permanent Exhibit Renovations	3,500,394	-
Harry Middleton Lectureship Fund	722,194	679,271
Lady Bird Johnson Conservation Award Fund	605,028	512,617
Harry Middleton Fellowship Fund	62,532	29,447
Mark Updegrove Book	55,168	-
Hardeman Foundation	32,041	30,179
Tom Johnson Lectureship Fund	40,256	-
Total for LBJ Library Use	<u>9,573,910</u>	<u>5,336,995</u>
Restricted for LBJ School Use:		
Sid Richardson Chair Fund	8,941,290	7,992,365
Helen J. and Robert S. Strauss Fellowship Fund	5,415,721	4,720,431
Moody Foundation Fund	4,556,297	4,085,481
Dean Rusk Chair Fund	4,441,931	3,989,485
Edie and Lew Wasserman Library Fund	3,973,236	3,485,551

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**7. Temporarily Restricted Net Assets (continued)**

	2011	2010
Policy Research Institute Fund	2,670,518	2,373,750
Barbara Jordan Chair Fund	2,334,190	1,959,698
RGK Center Fund	1,632,463	606,488
Max Sherman Chair Fund	1,443,995	1,251,971
Dell Social Innovations	795,745	-
Barnes Fellow Public Lead Fund	605,139	331,787
Lady Bird Johnson Conservation Award Fund	605,028	512,617
Strauss Center for International Security and the Law	516,927	(212,588)
Barnes Discretionary Fund	508,135	512,001
Meadows Gift Fund	350,285	162,662
Hackler Endowed Chair in Ethical Leadership Fund	310,681	184,747
Bernard Rapoport Chair	219,546	65,492
Inman Fellowship Fund	165,129	144,270
Strauss-Brumley Chair	129,342	8,547
RGK - McDermott Fund	63,728	39,841
Rostow Memorial Fellowships	41,674	33,208
Strauss-Mack Brown Chair	39,380	(91,740)
Rick Gomez Memorial Fund	37,085	32,394
Strauss-Nuclear Proliferation Prevention Fund	10,202	(2,948)
Capital Campaign	6,341	(26,576)
Jack Valenti Chair	319	(353)
Center for Governance & Politics	-	141,473
Strauss-William Crook Chair	(40,125)	(129,528)
Total for LBJ School Use	39,774,202	32,170,526
Restricted for Research:		
Ada Anderson Civil & Human Rights Studies Fund	10,561	6,699
 Total	 \$ 49,358,673	 \$ 37,514,220



**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**7. Temporarily Restricted Net Assets (continued)**

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, by passage of time, or by the change of restrictions specified by the donors. Net assets released during the years ended August 31, 2011 and 2010, were as follows:

	2011	2010
RGK - Social Innovations Spend Down	\$ 762,032	\$ -
Permanent Exhibit Renovation	668,434	-
RGK Center Fund	665,737	900,295
Moody Foundation Fund	429,257	240,128
Sid Richardson Chair Fund	347,892	218,921
Strauss Center for International Security and the Law	268,472	152,826
Dean Rusk Chair Fund	200,586	194,200
Helen J. and Robert S. Strauss Fellowship Fund	169,400	141,373
Center for Governance & Politics	140,000	355,885
Policy Research Institute Fund	121,944	50,000
Harry Middleton Lectureship Fund	114,952	20,355
Edie and Lew Wasserman Library Fund	87,000	30,000
Max Sherman Chair Fund	85,000	88,023
Barnes Discretionary Fund	80,000	-
Hackler Endowed Chair in Ethical Leadership Fund	55,500	57,416
Strauss-Mack Brown Chair	52,576	(2,500)
Barbara Jordan Chair Fund	41,800	13,515
Strauss-William Crook Chair	39,140	25,000
Barnes Fellow Public Lead Fund	28,000	39,000
Strauss-Brumley Chair	25,346	11,758
Mark Updegrove Book	13,468	-
RGK - McDermott Fund	10,702	11,166
Harry Middleton Fellowship Fund	7,500	10,400
Strauss-Nuclear Proliferation Prevention	5,679	-
Hardeman Foundation Fund	2,500	450
Meadows Gift Fund	-	53,552
Total	<u>\$ 4,422,917</u>	<u>\$ 2,611,763</u>

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**8. Permanently Restricted Net Assets**

At August 31, 2011 and 2010, permanently restricted net assets consisted of:

	2011	2010
RGK Center Fund	\$ 9,100,000	\$ 9,100,000
Strauss Center for International Security and the Law	7,683,481	7,183,482
Barnes Fellow Public Lead Fund	1,754,370	1,752,370
Strauss-Mack Brown Chair	1,416,925	1,416,925
Moody Foundation Fund	1,357,650	1,357,650
Helen J. and Robert S. Strauss Fellowship Fund	1,304,359	1,304,357
Strauss-William Crook Chair	1,201,588	1,001,588
Meadows Gift Fund	1,135,000	1,135,000
Hackler Endowed Chair in Ethical Leadership Fund	1,065,994	1,065,994
Sid Richardson Chair Fund	1,000,000	1,000,000
Bernard Rapoport Chair	1,000,000	1,000,000
Strauss-Brumley Chair	999,799	999,799
Barbara Jordan Chair Fund	921,325	921,325
Max Sherman Chair Fund	653,574	653,574
Dean Rusk Chair Fund	530,000	530,000
Edie and Lew Wasserman Library Fund	509,625	509,625
Policy Research Institute Fund	500,000	500,000
Harry Middleton Lectureship Fund	417,392	407,392
Tom Johnson Lectureship Fund	337,457	330,000
Harry Middleton Fellowship Fund	257,805	257,805
Capital Campaign	254,234	254,234
Lady Bird Johnson Conservation Award Fund	253,070	253,070
RGK - McDermott Fund	200,000	200,000
Strauss-Nuclear Proliferation Prevention Fund	133,201	133,202
Rostow Memorial Fellowships	25,334	25,334
Ada Anderson Civil & Human Rights Studies Fund	20,000	20,000
Jack Valenti Chair	5,000	5,000
Rick Gomez Memorial	800	-
Total	<u>\$ 34,037,983</u>	<u>\$ 33,317,726</u>

During the year ended August 31, 2010, \$500,000 was transferred at the donor's request from permanently restricted net assets in the Barnes Fellow Public Lead fund to temporarily restricted net assets in the Barnes Discretionary Fund.

Also during the year ended August 31, 2010, \$300,000 was reclassified from unrestricted net assets to permanently restricted net assets for the Tom Johnson Lectureship Fund.

**The Lyndon Baines Johnson Foundation**  
**Notes to Financial Statements**  
**August 31, 2011 and 2010**

**9. Endowment Funds**

The Foundation holds endowment funds which are both unrestricted and donor-restricted as to the purpose for which they may be spent. The Foundation's Board has a policy of pooling all funds, and investing them together. The income from the pooled funds, plus gains or losses realized or unrealized are allocated to the specific funds based upon the relative dollar size of each fund. Such calculations and allocations are done monthly. The Board's policy is to utilize a spending rate of 4.5% calculated on a trailing 12 quarter valuation basis, and they have determined that this spending rate is sufficient to meet the current needs, plus sets aside a sufficient amount to preserve the Funds in perpetuity.

In 2002, the Board began classifying its Funds in the categories of Permanently Restricted, Temporarily Restricted, or Unrestricted, based upon the existence of donor-stipulated restrictions as to use, purpose or time. At that time, in regard to the donor-restricted gifts, in the absence of any restriction as to use of only income or the requirement to credit any excess earnings to the Permanently Restricted fund, the Foundation's Board elected to treat as Permanently Restricted the amounts of the original and subsequent donations of each Permanently Restricted Fund, and to treat as Temporarily Restricted the amounts of income, gains and losses in excess of expenses for each specific Fund. Any unrealized gain or loss is likewise accumulated in the Temporarily Restricted fund for each specific Permanently Restricted fund. No losses or expenses are charged to a Permanently Restricted Fund, and all excess remains in the Temporarily Restricted Funds until appropriated for expenditure under the spend rate policy.

Interpretation of Relevant Law

The investment management of the assets of the Foundation is subject to the standards of conduct set out in the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Board of the Foundation has interpreted this law as requiring the Board to take into consideration the following factors in determining the appropriate investment policies and to provide a predictable stream of funding to the supported programs, while seeking to maintain the purchasing power of the endowment assets:

- 1) General economic conditions;
- 2) The possible effect of inflation or deflation;
- 3) The possible tax consequences of any investment;
- 4) The role that each investment or course of action plays within the overall investment portfolio of the fund;
- 5) The expected return from income and appreciation of investments;
- 6) Other resources of the Foundation;
- 7) The needs of the Foundation or its supported entities and the fund, to make distributions and to preserve capital; and
- 8) The asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

**The Lyndon Baines Johnson Foundation**  
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**9. Endowment Funds (continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2011

<u>Endowment Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 5,429,061	\$ 37,514,220	\$ 33,317,726	\$ 76,261,007
Investment return	59,246	593,109	-	652,355
Net appreciation Realized and unrealized	<u>738,528</u>	<u>9,622,091</u>	<u>7,457</u>	<u>10,368,076</u>
Total investment return	<u>797,774</u>	<u>10,215,200</u>	<u>7,457</u>	<u>11,020,431</u>
Contributions	-	1,912,158	712,800	2,624,958
Appropriations of endowment assets for expenditure	<u>(171,380)</u>	<u>(282,905)</u>	<u>-</u>	<u>(454,285)</u>
Ending balance	<u>\$ 6,055,455</u>	<u>\$ 49,358,673</u>	<u>\$ 34,037,983</u>	<u>\$ 89,452,111</u>

Changes in Endowment Net Assets for the Fiscal Year Ended August 31, 2010

<u>Endowment Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 5,191,661	\$ 31,206,821	\$ 32,551,463	\$ 68,949,945
Investment return	43,967	535,810	-	579,777
Net appreciation Realized and unrealized	<u>609,904</u>	<u>7,428,717</u>	<u>-</u>	<u>8,038,621</u>
Total investment return	<u>653,871</u>	<u>7,964,527</u>	<u>-</u>	<u>8,618,398</u>
Contributions	(248,228)	454,645	966,263	1,172,680
Appropriations of endowment assets for expenditure	<u>(168,243)</u>	<u>(2,111,773)</u>	<u>(200,000)</u>	<u>(2,480,016)</u>
Ending balance	<u>\$ 5,429,061</u>	<u>\$ 37,514,220</u>	<u>\$ 33,317,726</u>	<u>\$ 76,261,007</u>