

THE SAVANNAH FOUNDATION, INC.
SAVANNAH, GEORGIA

FINANCIAL STATEMENTS

For the years ended June 30, 2004
and 2003

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Savannah Foundation, Inc.
Savannah, Georgia

We have audited the accompanying statements of financial position of The Savannah Foundation, Inc., as of June 30, 2004 and 2003, 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Savannah Foundation, Inc. as of June 30, 2004 and 2003, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KARP, RONNING & TINDOL, P.C.

Karp, Ronning & Tindol, P.C.

Savannah, Georgia
August 12, 2004

THE SAVANNAH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash - operating	\$	397,031	\$ 39,651
Cash - investments		1,719,545	999,818
Investment income receivable		4,978	7,046
Other receivables		747	-0-
Investments - securities		12,470,855	11,731,428
Notes receivable		64,138	68,736
Equipment - Net		<u>6,146</u>	<u>13,996</u>
TOTAL ASSETS		<u>\$14,663,440</u>	<u>\$12,860,675</u>
 <u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$	2,774	\$ 8,730
Note payable		<u>823</u>	<u>10,231</u>
TOTAL LIABILITIES		<u>\$ 3,597</u>	<u>18,961</u>
 <u>NET ASSETS</u>			
Unrestricted		\$14,659,843	\$12,841,714
Temporarily restricted		-0-	-0-
Permanently restricted		<u>-0-</u>	<u>-0-</u>
TOTAL NET ASSETS		<u>14,659,843</u>	<u>12,841,714</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$14,663,440</u>	<u>\$12,860,675</u>

See Accountants' Report and Notes to Financial Statements

THE SAVANNAH FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

	<u>2004</u>	<u>2003</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
REVENUES		
Contributions received	\$ 2,218,597	\$ 1,297,430
Net realized and unrealized gains (losses)	1,260,896	(175,589)
Dividends and Interest	<u>358,646</u>	<u>395,286</u>
 Total revenues	 <u>3,838,139</u>	 <u>1,517,127</u>
EXPENSES		
Grants paid	<u>1,712,378</u>	<u>2,241,761</u>
 Payroll Expenses:		
Salaries	-0-	16,785
Payroll taxes	-0-	1,184
Employee benefits	<u>-0-</u>	<u>4,661</u>
	<u>-0-</u>	<u>22,630</u>
 Fund-Raising Expenses	 <u>6,232</u>	 <u>11</u>
 Investment Expenses:		
Money manager and custodian fees	<u>125,913</u>	<u>122,075</u>
 Administrative Expenses:		
Management fees - See Note I	149,000	135,000
Professional fees	12,080	17,184
Printing and copying	-0-	1,030
Rent	-0-	902
Dues and publications	299	3,237
Insurance	4,504	4,310
Telephone	-0-	(1,282)
Interest	412	1,059
Depreciation and amortization expense	7,850	9,928
Office supplies	348	591
Advertising	-0-	853
Consulting	-0-	3,062
Postage	-0-	100
Other expense	<u>994</u>	<u>3,564</u>
	<u>175,487</u>	<u>179,538</u>
 Total expenses	 <u>2,020,010</u>	 <u>2,566,015</u>
 Change in net assets	 1,818,129	 (1,048,888)
 Net assets at beginning of year	 <u>12,841,714</u>	 <u>13,890,602</u>
 Net assets at end of year	 <u>\$14,659,843</u>	 <u>\$12,841,714</u>

See Accountants' Report and Notes to Financial Statements

THE SAVANNAH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions	\$ 2,218,597	\$ 1,298,468
Cash received from investment income including net realized and unrealized gains and losses on investments	1,620,863	226,732
Cash paid as grants to other organizations	(1,712,379)	(2,241,761)
Cash paid for salaries and benefits	-0-	(21,571)
Cash paid for general and administrative expenses	(305,326)	(291,675)
Cash paid for interest expense	(412)	(1,059)
Net cash flows from operating activities:	<u>1,821,343</u>	<u>(1,030,866)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-0-	(7,009)
Purchases, sales and maturities of investments	(739,427)	920,953
Collections on notes receivable	4,599	4,331
Net cash flows from investing activities:	<u>(734,828)</u>	<u>918,275</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) in note payable	(9,408)	(8,760)
Net cash flows from financing activities:	<u>(9,408)</u>	<u>(8,760)</u>
Net increase (decrease) in cash and cash equivalents	1,077,107	(121,351)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,039,469</u>	<u>1,160,820</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,116,576</u>	<u>\$ 1,039,469</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets:	\$ 1,818,129	\$(1,048,888)
Adjustments:		
Decrease in accrued income	1,321	7,035
(Decrease) increase in accounts payable	(5,957)	1,059
Depreciation and amortization	7,850	9,928
Net cash flows from operating activities:	<u>\$ 1,821,343</u>	<u>\$(1,030,866)</u>

See Accountants' Report and Notes to Financial Statements

THE SAVANNAH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of The Savannah Foundation, Inc. have been prepared on the accrual basis; consequently revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

BASIS OF PRESENTATION

The Foundation has adopted Statement of Financial Accounting Standards Number 117 (SFAS No. 117), Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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.

The Foundation has also adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

CASH

The Foundation considers all highly liquid investments with a maturity of three months or less at date of acquisition as "cash" for financial statement disclosures. The majority of cash held for the Foundation by brokerage firms is not FDIC insured.

PROPERTY, BUILDINGS AND EQUIPMENT

Property and equipment are stated at cost with depreciation provided principally by the straight-line method. Generally estimated useful lives for depreciation purposes are 3 to 7 years. Depreciation and amortization expense for the years ended June 30, 2004 and 2003 were \$7,850 and \$9,928, respectively.

INCOME TAXES

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

INVESTMENTS

Marketable securities donated to the Foundation are recorded at fair market value at the date of the gift. Investments are presented in the accompanying financial statements at fair market value. Changes in market value of securities are reflected as unrealized gains or losses.

See Accountants' Report

THE SAVANNAH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B - FIXED ASSETS

Fixed assets consisted of the following at June 30:

	2004	2003
Assets at cost	\$ 49,747	\$ 49,747
Accumulated depreciation and amortization	<u>(43,601)</u>	<u>(35,751)</u>
Net book value	<u>\$ 6,146</u>	<u>\$ 13,996</u>

NOTE C - INVESTMENTS

The Foundation held investments in 169 and 163 separate funds at June 30, 2004 and 2003, respectively, at 8 different financial institutions:

	2004	2003
Savannah Bank	\$ 6,080,282	\$ 5,544,916
McDonald Investments	4,347,868	3,674,759
Sterne, Agee & Leach	1,417,460	1,225,348
Salomon Smith Barney	1,181,166	1,164,668
Wachovia	549,880	515,108
Bank of America	472,650	461,652
Merrill Lynch	98,346	92,403
A. G. Edwards	<u>42,748</u>	<u>52,392</u>
Total	<u>\$14,190,400</u>	<u>\$12,731,246</u>

At June 30, 2004 and 2003 these funds were invested as follows:

	2004	2003
Cash and cash equivalents	\$ 1,719,545	\$ 999,818
Equities	9,327,912	6,410,393
Bonds	<u>3,142,943</u>	<u>5,321,035</u>
Total	<u>\$14,190,400</u>	<u>\$12,731,246</u>

NOTE D - NOTES RECEIVABLE

The Foundation sold its building to the United Way of the Coastal Empire in May 1994 and received a note for \$100,000, bearing interest at 6% for twenty years. The balance on the receivable at June 30, 2004 and 2003 was \$64,138 and \$68,736, respectively.

NOTE E - NOTE PAYABLE

At June 30, 2004, the note payable balance was \$823, payable to The Savannah Bank. Payments are made in monthly installments, which includes interest at 6.75% annually. The amounts due in future years are:

Year Ending June 30,	Amount
2005	\$ <u>823</u>
	\$ <u>823</u>

See Accountants' Report

THE SAVANNAH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F - LEASES

The Foundation leased space in the building it sold to the United Way of the Coastal Empire. On August 1, 2002, the Foundation moved to a new location. See Note I. The rent expense for 2004 and 2003 was \$-0- and \$902, respectively.

The Foundation has leased certain office equipment under monthly operating leases. Under the Management Agreement (Note I) the lease payments are now included in the expenses that are paid by Simpson & Creasy, P.C. The future minimum lease obligation of the lease payments as of June 30, 2004, were as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2005	\$ 6,596
2006	6,596
2007	<u>1,928</u>
Total Lease Payments	15,120
Amount Representing Interest	<u>1,139</u>
	<u>\$13,981</u>

NOTE G - NATURE OF BUSINESS

The Savannah Foundation, Inc. is a tax-exempt organization which receives gifts, grants and bequests for the purpose of making charitable contributions to organizations approved by the Board of Directors. The Foundation invests substantial portions of its assets in marketable securities which fluctuate in price as the stock and bond markets move up and down.

NOTE H - FUND CLASSIFICATION

The activities and balances of the Foundation are classified for internal purposes into the following groups:

Unrestricted (or Discretionary)

The Foundation's Unrestricted Funds are not designated for a specific charitable beneficiary. These funds are disbursed at the discretion of the Foundation's Board of Directors in response to requests from nonprofit organizations and based on an assessment of the most pressing needs. Unrestricted funds are also used to pay administrative expenses.

Field of Interest/Discretionary

The Field of Interest/Discretionary funds were donated to be used to aid in the fight against illiteracy. These funds are disbursed at the discretion of the Foundation's Board of Directors in response to requests from nonprofit organizations that are involved in illiteracy programs.

See Accountants' Report

THE SAVANNAH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H - FUND CLASSIFICATION continued

Donor Advised

Donor Advised Funds are created by donors who wish to remain active in their philanthropy and have access to the Foundation's professional advice and management. Donors may suggest charitable distributions from funds they have established, although the Foundation's Board of Directors is required to make final decisions on all grants.

Donor Designated

Donor designated funds have been established to provide grants to a specific charitable agency or project. The Board of Directors accepts the donor's designation as long as the agency or project continues to serve the public interest.

Endowment Funds

Endowment Funds are established by nonprofit organizations for the purpose of generating income in perpetuity for their charitable purposes. Endowment funds may also receive gifts from the general public.

At June 30, 2004 and 2003 the balances of these internally imposed restrictions were:

	2004	2003
Discretionary	\$ 612,726	\$ 473,180
Field of Interest/Discretionary	326,864	298,264
Advised	8,988,299	7,636,054
Designated	3,659,891	3,079,064
Endowment	1,071,316	1,355,152
Total	\$14,659,096	\$12,841,714

NOTE I - MANAGEMENT AGREEMENT

On July 1, 2002, the Savannah Foundation entered into a management agreement with Simpson & Creasy, P.C. and Russell Simpson as the new Executive Director. The total amount of management fee expense paid for 2004 and 2003 were \$149,000 and \$135,000, respectively. Most of the expenses of the Foundation are paid by Simpson & Creasy, P.C. including but not limited to salaries, payroll taxes, employee benefits, advertising, office expenses and supplies, telephone and rent. The Foundation still pays professional fees and Investment expenses. The original term ended June 30, 2004, but has been informally extended on a month to month basis.

NOTE J - SUBSEQUENT EVENTS

At the September 23, 2004, Board meeting, the Board approved the changing of the Foundation's name to "The Savannah Community Foundation".

See Accountants' Report