

THE SAVANNAH COMMUNITY FOUNDATION, INC.
SAVANNAH, GEORGIA

FINANCIAL STATEMENTS

For the years ended
June 30, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Savannah Community Foundation, Inc., as of June 30, 2006 and 2005, 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 Community Foundation, Inc. as of June 30, 2006 and 2005, 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 State of America.

Karp, Ronning & Tindol, P.C.

Karp, Ronning & Tindol, P.C.

Savannah, Georgia
October 14, 2006

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

	2006	2005
<u>ASSETS</u>		
Cash - operating	\$ 590,863	\$ 522,715
Cash - investments	908,004	1,924,161
Investment income receivable	12,603	8,794
Other receivables	32	339
Investments - securities	14,660,339	13,064,426
Notes receivable	53,627	59,256
Equipment - Net	137	1,331
	<u>\$ 16,225,605</u>	<u>\$ 15,581,022</u>
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,042	\$ 1,486
	<u>\$ 1,042</u>	<u>\$ 1,486</u>
<u>NET ASSETS</u>		
Unrestricted	16,224,563	15,579,536
Temporarily restricted	-	-
Permanently restricted	-	-
	<u>16,224,563</u>	<u>15,579,536</u>
	<u>\$ 16,225,605</u>	<u>\$ 15,581,022</u>

See Accountants' Report and Notes to Financial Statements

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

	<u>2006</u>	<u>2005</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
REVENUES		
Contributions received	\$ 1,925,014	\$ 2,743,442
Net realized and unrealized gains (losses)	777,988	598,414
Dividends and Interest	505,747	404,745
	<u>3,208,749</u>	<u>3,746,601</u>
	TOTAL REVENUES	TOTAL REVENUES
EXPENSES		
Grants paid	<u>2,257,918</u>	<u>2,532,724</u>
Fund-Raising Expenses	<u>1,337</u>	<u>-</u>
Investment Expenses:		
Money manager and custodian fees	<u>139,961</u>	<u>129,312</u>
Administrative Expenses:		
Management Fees	144,000	144,000
Professional Fees	11,955	9,950
Dues and publications	1,929	1,740
Insurance	4,309	4,226
Interest	10	5
Depreciation and amortization expense	1,193	4,816
Office supplies	-	117
Other expense	1,110	18
	<u>164,506</u>	<u>164,872</u>
	TOTAL EXPENSES	TOTAL EXPENSES
	<u>2,563,722</u>	<u>2,826,908</u>
Change in net assets	645,027	919,693
Net assets at beginning of year	<u>15,579,536</u>	<u>14,659,843</u>
Net assets at end of year	<u>\$ 16,224,563</u>	<u>\$ 15,579,536</u>

See Accountants' Report and Notes to Financial Statements

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

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 1,925,014	\$ 2,743,442
Cash received from investment income including net realized and unrealized gains and losses on investments	1,280,233	999,751
Cash paid as grants to other organizations	(2,257,918)	(2,532,724)
Cash paid for general and administrative expenses	(305,046)	(290,651)
Cash paid for interest expense	(10)	(5)
	<u>642,273</u>	<u>919,813</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases, sales, and maturities of investments	(1,595,911)	(593,572)
Collections on notes receivable	5,629	4,882
	<u>(1,590,282)</u>	<u>(588,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in note payable	-	(823)
	<u>-</u>	<u>(823)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>(823)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(948,009)	330,300
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,446,876</u>	<u>2,116,576</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,498,867</u>	<u>\$ 2,446,876</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 645,027	\$ 919,694
Adjustments:		
(Increase) in accrued income	(3,502)	(3,408)
(Decrease) in accounts payable	(445)	(1,289)
Depreciation and amortization	1,193	4,816
Net cash flows from operating activities	<u>\$ 642,273</u>	<u>\$ 919,813</u>

See Accountants' Report and Notes to Financial Statements

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of The Savannah Community 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, 2006 and 2005 were \$1,193 and \$4,816, respectively.

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

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.

NOTE B – FIXED ASSETS

Fixed assets consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Assets at cost	\$ 49,147	\$ 49,747
Accumulated depreciation and amortization	(49,010)	(48,416)
Net book value	<u>\$ 137</u>	<u>\$ 1,331</u>

NOTE C – INVESTMENTS

The Foundation held investments in 175 and 172 separate funds at June 30, 2006 and 2005, respectively, at 8 different financial institutions:

	<u>2006</u>	<u>2005</u>
Savannah Bank	\$ 7,754,259	\$ 7,203,149
McDonald Investments	3,535,490	3,749,003
Sterne, Agee, & Leach	1,810,391	1,516,686
Salomon Smith Barney	1,321,539	1,304,603
Wachovia	550,887	607,510
Bank of America	462,551	466,405
Merrill Lynch	106,351	104,142
A.G. Edwards	26,875	37,389
Total	<u>\$15,568,343</u>	<u>\$14,988,587</u>

See Accountants' Report

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C – INVESTMENTS continued

At June 30, 2006 and 2005 these funds were invested as follows:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$908,004	\$1,924,161
Equities	10,853,483	9,617,885
Bonds	<u>3,806,856</u>	<u>3,446,541</u>
Total	<u>\$15,568,343</u>	<u>\$ 14,988,587</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, 2006 and 2005 was \$53,627 and \$59,256, respectively.

NOTE E – NATURE OF BUSINESS

The Savannah Community 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 F – 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 programs.

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – 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, 2006 and 2005 the balances of these internally imposed restrictions were:

	<u>2006</u>	<u>2005</u>
Discretionary	\$764,137	\$ 677,596
Field of Interest/Discretionary	373,367	351,254
Advised	9,742,979	9,267,146
Designated	4,144,982	4,156,791
Endowment	<u>1,199,098</u>	<u>1,126,749</u>
 Total	 <u>\$16,224,563</u>	 <u>\$ 15,579,536</u>

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – MANAGEMENT AGREEMENT

On July 1, 2002, the Savannah Community Foundation entered into a management agreement with Simpson & Creasy, P.C. and Russell Simpson as the new Executive Director. The total amount of management expense fee paid for 2006 and 2005 were \$144,000 and \$144,000, 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.