

THE SAVANNAH COMMUNITY FOUNDATION, INC.  
SAVANNAH, GEORGIA

FINANCIAL STATEMENTS

For the years ended  
June 30, 2005 and 2004

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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, 2005 and 2004, 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, 2005 and 2004, 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  
September 26, 2005

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

	<b>2005</b>	<b>2004</b>
<u>ASSETS</u>		
Cash - operating	\$ 522,715	\$ 397,031
Cash - investments	1,924,161	1,719,545
Investment income receivable	8,794	4,978
Other receivables	339	747
Investments - securities	13,064,426	12,470,855
Notes receivable	59,256	64,138
Equipment - Net	1,331	6,146
TOTAL ASSETS	\$ 15,581,022	\$ 14,663,440
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,486	\$ 2,774
Notes payable	-	823
TOTAL LIABILITIES	\$ 1,486	\$ 3,597
<u>NET ASSETS</u>		
Unrestricted	15,579,536	14,659,843
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	15,579,536	14,659,843
TOTAL LIABILITIES AND NET ASSETS	\$ 15,581,022	\$ 14,663,440

See Accountants' Report and Notes to Financial Statements

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

	<u>2005</u>	<u>2004</u>
	Unrestricted	Unrestricted
<b>REVENUES</b>		
Contributions received	\$ 2,743,442	\$ 2,218,597
Net realized and unrealized gains (losses)	598,414	1,260,896
Dividends and Interest	404,745	358,646
	<u>3,746,601</u>	<u>3,838,139</u>
<b>TOTAL REVENUES</b>		
<b>EXPENSES</b>		
Grants paid	<u>2,532,724</u>	<u>1,712,378</u>
Fund-Raising Expenses	<u>-</u>	<u>6,232</u>
Investment Expenses:		
Money manager and custodian fees	129,312	125,913
Administrative Expenses:		
Management Fees	144,000	149,000
Professional Fees	9,950	12,080
Dues and publications	1,740	299
Insurance	4,226	4,504
Interest	5	412
Depreciation and amortization expense	4,816	7,850
Office supplies	117	348
Other expense	18	994
	<u>164,872</u>	<u>175,487</u>
<b>TOTAL EXPENSES</b>	<u>2,826,908</u>	<u>2,020,010</u>
Change in net assets	919,693	1,818,129
Net assets at beginning of year	<u>14,659,843</u>	<u>12,841,714</u>
Net assets at end of year	<u>\$ 15,579,536</u>	<u>\$ 14,659,843</u>

See Accountants' Report and Notes to Financial Statements

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

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 2,743,442	\$ 2,218,597
Cash received from investment income including net realized and unrealized gains and losses on investments	999,751	1,620,863
Cash paid as grants to other organizations	(2,532,724)	(1,712,379)
Cash paid for general and administrative expenses	(290,651)	(305,326)
Cash paid for interest expense	(5)	(412)
	<b>919,813</b>	<b>1,821,343</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases, sales, and maturities of investments	(593,572)	(739,427)
Collections on notes receivable	4,882	4,599
	<b>(588,690)</b>	<b>(734,828)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) in note payable	(823)	(9,408)
	<b>(823)</b>	<b>(9,408)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>330,300</b>	<b>1,077,107</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,116,576</b>	<b>1,039,469</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,446,876</b>	<b>\$ 2,116,576</b>
<b>Reconciliation of change in net assets to net cash flows from operating activities:</b>		
Change in net assets	\$ 919,694	\$ 1,818,129
Adjustments:		
(Increase) decrease in accrued income	(3,408)	1,321
(Decrease) in accounts payable	(1,289)	(5,957)
Depreciation and amortization	4,816	7,850
Net cash flows from operating activities	<b>\$ 919,813</b>	<b>\$ 1,821,343</b>

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, 2005 and 2004 were \$4,816 and \$7,850, respectively.

See Accountants' Report

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>2005</u>	<u>2004</u>
Assets at cost	\$ 49,747	\$ 49,747
Accumulated depreciation and amortization	(48,416)	(43,601)
Net book value	<u>\$ 1,331</u>	<u>\$ 6,146</u>

NOTE C – INVESTMENTS

The Foundation held investments in 172 and 169 separate funds at June 30, 2005 and 2004, respectively, at 8 different financial institutions:

	<u>2005</u>	<u>2004</u>
Savannah Bank	\$ 7,203,149	\$ 6,080,282
McDonald Investments	3,749,003	4,347,868
Sterne, Agee, & Leach	1,516,686	1,417,460
Salomon Smith Barney	1,304,603	1,181,166
Wachovia	607,510	549,880
Bank of America	466,405	472,650
Merrill Lynch	104,142	98,346
A.G. Edwards	<u>37,389</u>	<u>42,748</u>
 Total	 <u>\$14,988,587</u>	 <u>\$14,190,400</u>

See Accountants' Report



THE SAVANNAH COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE C – INVESTMENTS continued

At June 30, 2005 and 2004 these funds were invested as follows:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$1,924,161	\$1,719,545
Equities	9,617,885	9,327,912
Bonds	<u>3,446,541</u>	<u>3,142,943</u>
 Total	 <u>\$14,988,587</u>	 <u>\$ 14,190,400</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, 2005 and 2004 was \$59,256 and \$64,138, respectively.

NOTE E – LEASES

The Foundation has leased certain office equipment under monthly operating leases. Under the Management Agreement (Note H) 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, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 6,596
2007	<u>1,928</u>
Total Lease Payments	8,524
Amount Representing Interest	<u>649</u>
	<u>\$ 7,875</u>

NOTE F – 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.

THE SAVANNAH COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE G – 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.

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.

THE SAVANNAH COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE G – FUND CLASSIFICATION continued

At June 30, 2005 and 2004 the balances of these internally imposed restrictions were:

	<u>2005</u>	<u>2004</u>
Discretionary	\$677,596	\$ 613,473
Field of Interest/Discretionary	351,254	326,864
Advised	9,267,146	8,988,299
Designated	4,156,791	3,659,891
Endowment	<u>1,126,749</u>	<u>1,071,316</u>
Total	<u>\$15,579,536</u>	<u>\$ 14,659,843</u>

NOTE H – 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 2005 and 2004 were \$144,000 and \$149,000, 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.