

THE SAVANNAH COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

**For the years ended
June 30, 2011 and 2010**

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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. (a nonprofit organization) as of June 30, 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 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, 2011 and 2010, 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.

Savannah, Georgia
October 31, 2011

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

	2011	2010
<u>ASSETS</u>		
Cash - operating	\$ 97,548	\$ 112,936
Cash - investments	2,230,497	1,990,696
Investment income receivable	11,259	13,326
Other receivables	-	287
Investments - securities	14,793,538	12,346,400
Notes receivable	22,350	29,376
Equipment - Net	-	-
	\$ 17,155,192	\$ 14,493,020
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	18,849	5,088
TOTAL LIABILITIES	\$ 18,849	\$ 5,088
<u>NET ASSETS</u>		
Unrestricted	17,136,343	14,487,932
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	17,136,343	14,487,932
TOTAL LIABILITIES AND NET ASSETS	\$ 17,155,192	\$ 14,493,020

See Accountants' Report and Notes to Financial Statements

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

	<u>2011</u>	<u>2010</u>
	Unrestricted	Unrestricted
REVENUES		
Contributions received	\$ 2,984,271	\$ 1,962,190
Net realized and unrealized gains (losses)	1,873,034	762,746
Dividends and Interest	471,407	475,412
	<u>5,328,712</u>	<u>3,200,348</u>
TOTAL REVENUES		
EXPENSES		
Grants paid	<u>2,385,730</u>	<u>2,125,237</u>
Fund-Raising Expenses	<u>-</u>	<u>-</u>
Investment Expenses:		
Money manager and custodian fees	<u>122,175</u>	<u>112,535</u>
Administrative Expenses:		
Management fees	156,000	156,000
Professional fees	11,250	10,900
Dues and publications	-	1,440
Insurance	2,624	2,857
Office supplies	-	-
Other expense	<u>2,522</u>	<u>7,264</u>
	<u>172,396</u>	<u>178,462</u>
TOTAL EXPENSES	<u>2,680,301</u>	<u>2,416,234</u>
Change in net assets	2,648,411	784,115
Net assets, beginning of year	<u>14,487,932</u>	<u>13,703,817</u>
Net assets, end of year	<u>\$ 17,136,343</u>	<u>\$ 14,487,932</u>

See Accountants' Report and Notes to Financial Statements

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

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 2,984,271	\$ 1,962,190
Cash received from investment income including net realized and unrealized gains and losses on investments	2,346,795	1,235,105
Cash paid as grants to other organizations	(2,385,730)	(2,125,237)
Cash paid for general and administrative expenses	(280,810)	(287,103)
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-
	<u>2,664,526</u>	<u>784,955</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases, sales, and maturities of investments	(2,447,139)	(2,671,128)
Collections on notes receivable	7,026	6,617
	<u>(2,440,113)</u>	<u>(2,664,511)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	224,413	(1,879,556)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,103,632</u>	<u>3,983,188</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,328,045</u>	<u>\$ 2,103,632</u>
 Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 2,648,411	\$ 784,115
Adjustments:		
(Increase) decrease in accrued income	2,354	(3,053)
Increase in accounts payable	13,761	3,893
Depreciation and amortization	-	-
Net cash flows from operating activities	<u>\$ 2,664,526</u>	<u>\$ 784,955</u>

See Accountants' Report and Notes to Financial Statements

**THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A – 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. Such gifts and grants are received from various businesses and individuals, both locally in Savannah and the surrounding areas. 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. During the years ended June 30, 2011 and 2010 the Foundation at times had cash investments with The Savannah Bank that exceeded the coverage offered by the Federal Deposit Insurance Corporation. In August 2010, the bank posted as collateral a \$1.5 million Government National Mortgage Association REMIC due 9/20/2038 bearing 4.5% interest owned by The Savannah Bank and in custody of the Federal Home Loan Bank of Atlanta.

NOTE B – 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.

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011 and 2010 were \$0 and \$0, 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.

NOTE C – FIXED ASSETS

Fixed assets consisted of the following at June 30:

	2011	2010
Assets at cost	\$ 49,147	\$ 49,147
Accumulated depreciated and amortization	(49,147)	(49,147)
Net book value	\$ -	\$ -

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**THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE D – INVESTMENTS

The Foundation held investments in 203 and 218 separate funds at June 30, 2011 and 2010, respectively, at 11 different financial institutions:

	<u>2011</u>	<u>2010</u>
Savannah Bank	\$ 9,133,882	\$ 7,873,223
Savannah Bank-Money Market	1,365,184	944,004
Sterne Agee	1,502,316	1,244,327
Salomon Smith Barney	1,351,140	1,133,647
Merrill Lynch	1,102,334	1,510,947
Wells Fargo	308,246	364,813
Asia Redux	374,115	-
Capitol City Bank	315,082	25,244
Carver State Bank	119,600	-
Charles Schwab	887,934	1,086,934
Suntrust	437,702	153,957
United Community Bank	126,500	-
Total	<u>\$ 17,024,035</u>	<u>\$ 14,337,096</u>

At June 30, 2011 and 2010 these funds were invested as follows:

	<u>2011</u>		<u>2010</u>	
Cash and cash equivalents	\$ 2,230,497	13.1%	\$ 1,990,696	13.9%
Equities	10,385,600	61.0%	8,242,326	57.5%
Bonds	4,407,938	25.9%	4,104,074	28.6%
Total	<u>\$ 17,024,035</u>	<u>100.0%</u>	<u>\$ 14,337,096</u>	<u>100.0%</u>

NOTE E - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the 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 as follows:

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THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS (continued)

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:

- A. Quoted prices for similar assets or liabilities in active markets;
- B. Quoted prices for identical or similar assets or liabilities in inactive markets;
- C. Inputs other than quoted prices that are observable for the asset or liability;
- D. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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 asset 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 June 30, 2011 and 2010.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Foundation at year end. These typically include investments in marketable equity and fixed income securities.

Money market funds: Value based on inputs derived from observable market data based on US currency.

Equities: Valued based on daily on-going quotes of the most recent price.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to

**THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE E – FAIR VALUE MEASUREMENTS (continued)

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, with the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011 and 2010:

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and bonds	\$14,419,423	\$374,115	\$ -	\$14,793,538
Money market funds	2,230,497	-	-	2,230,497
Total assets at fair value	\$16,649,919	\$374,115	\$ -	\$17,024,035

Assets at Fair Value as of June 30, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and bonds	\$12,346,400	\$ -	\$ -	\$12,346,400
Money market funds	1,990,696	-	-	1,990,696
Total assets at fair value	\$14,337,096	\$ -	\$ -	\$14,337,096

The Foundation does not have any level 3 assets for the years ended June 30, 2011 and 2010.

NOTE F – 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, 2011 and 2010 was \$22,350 and \$29,376, respectively.

NOTE G – FUND CLASSIFICATION

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

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THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – FUND CLASSIFICATION (continued)

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, 2011 and 2010 the balances of these internally imposed restrictions were:

	<u>2011</u>	<u>2010</u>
Discretionary	\$ 500,489	\$ 535,939
Field of Interest/Discretionary	378,280	454,793
Advised	9,157,588	8,487,629
Designated	3,652,435	3,924,683
Scholarships	2,122,560	-
Endowment	1,324,991	1,084,888
	<u>\$ 17,136,343</u>	<u>\$ 14,487,932</u>
Total		

NOTE H – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 31, 2011, the date the financial statements were available to be issued.

NOTE I – 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. On July 1, 2003, the management fee was decreased from \$15,000 per month to \$12,000 per month. The original term ended June 30, 2004, but was extended on a month to month basis. The management fee was increased by \$1,000 per month, effective July 1, 2008, to reflect the significant growth in assets and funds (and attendant expenses) from July 1, 2003. The total amount of management fees paid for 2011 and 2010 were \$156,000 and \$156,000, 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, insurance expenses and investment expenses. Effective July 1, 2010, the management agreement was amended to provide for annually renewable terms of one year, with each party having the option of terminating it at the end of the fiscal year. The management fee remains at \$13,000 per month. On December 31, 2010, Simpson & Creasy, P.C. ceased operations, and Russell Simpson created Simpson Law, PC of which he is the sole shareholder. An amendment to the management agreement for the name change became effective on January 1, 2011.

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THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J – INTERNAL FEES CHARGED TO FUNDS

The Foundation enters into agreements with donors when a fund is established that includes an internal administrative fee. The fund agreements specify an amount to be transferred from each fund to cover the overhead expenses of the Foundation. The typical annual fee is \$200 for funds with a balance below \$20,000, 1% of the fund balance for funds with a balance between \$20,000 and \$500,000, and $\frac{3}{4}$ % for fund balances above \$500,000.