

THE SAVANNAH COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

For the years ended
June 30, 2012 and 2011

CONTENTS

<u>FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 – 12

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

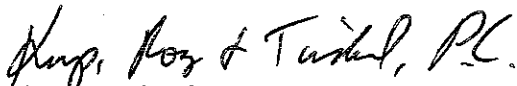
To the Board of Directors of
The Savannah Community Foundation, Inc.
Savannah, Georgia

We have audited the accompanying statements of financial position of The Savannah Community Foundation, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 25, 2012

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

	2012	2011
<u>ASSETS</u>		
Cash - operating	\$ 46,006	\$ 97,548
Cash - investments	1,176,576	2,230,497
Investment income receivable	4,463	11,259
Investments - securities	15,188,388	14,793,538
Notes receivable	-	22,350
Equipment - Net	-	-
	\$ 16,415,433	\$ 17,155,192
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	24,085	18,849
TOTAL LIABILITIES	\$ 24,085	\$ 18,849
<u>NET ASSETS</u>		
Unrestricted	16,391,348	17,136,343
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	16,391,348	17,136,343
TOTAL LIABILITIES AND NET ASSETS	\$ 16,415,433	\$ 17,155,192

See Accountants' Report and Notes to Financial Statements

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

	<u>2012</u>	<u>2011</u>
	Unrestricted	Unrestricted
REVENUES		
Contributions received	\$ 1,395,973	\$ 2,984,271
Net realized and unrealized gains (losses)	(251,556)	1,873,034
Dividends and Interest	454,579	471,407
	<u>1,598,996</u>	<u>5,328,712</u>
EXPENSES		
Grants paid	<u>2,046,211</u>	<u>2,385,730</u>
Investment Expenses:		
Money manager and custodian fees	<u>126,679</u>	<u>122,175</u>
Administrative Expenses:		
Management fees	156,000	156,000
Professional fees	11,800	11,250
Insurance	1,436	2,624
Other expense	<u>1,864</u>	<u>2,522</u>
	<u>171,100</u>	<u>172,396</u>
TOTAL EXPENSES	<u>2,343,990</u>	<u>2,680,301</u>
Change in net assets	(744,994)	2,648,411
Net assets, beginning of year	<u>17,136,343</u>	<u>14,487,932</u>
Net assets, end of year	<u>\$ 16,391,349</u>	<u>\$ 17,136,343</u>

See Accountants' Report and Notes to Financial Statements

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 1,395,973	\$ 2,984,271
Cash received from investment income including net realized and unrealized gains and (losses) on investments	209,819	2,346,795
Cash paid for grants	(2,046,211)	(2,385,730)
Cash paid for general and administrative expenses	(292,545)	(280,810)
Cash paid for interest expense	0	0
Cash paid for income taxes	0	0
	<u>(732,964)</u>	<u>2,664,526</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(394,849)	(2,447,139)
Collections on notes receivable	22,350	7,026
	<u>(372,499)</u>	<u>(2,440,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,105,463)	224,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,328,045</u>	<u>2,103,632</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,222,582</u>	<u>\$ 2,328,045</u>
 Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ (744,995)	\$ 2,648,411
Adjustments:		
Decrease (increase) in accrued income	6,795	2,354
Increase in accounts payable and accrued expenses	5,236	13,761
Net cash flows from operating activities	<u>\$ (732,964)</u>	<u>\$ 2,664,526</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, 2012 and 2011 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 accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board. In accordance with GAAP, the Foundation reports information regarding its net assets and activities as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any external restrictions. Currently, the Foundation has no restricted assets.

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.

See Accountants' Report

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, 2012 and 2011 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:

	2012	2011
Assets at cost	\$ 49,147	\$ 49,147
Accumulated depreciated and am	(49,147)	(49,147)
Net book value	\$ -	\$ -

See Accountants' Report

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – INVESTMENTS

The Foundation held investments in 210 and 203 separate funds at June 30, 2012 and 2011, respectively, at 12 different financial institutions:

	2012	2011
Savannah Bank	\$ 9,008,191	\$ 9,133,882
Savannah Bank-Money Market	\$ 1,176,575	1,365,184
Park Sterling	\$ 116,168	-
Sterne Agee	\$ 1,531,409	1,502,316
Morgan Stanley	\$ 1,316,420	1,351,140
Merrill Lynch	\$ 758,029	1,102,334
Wells Fargo	\$ 289,440	308,246
Asia Redux	\$ 344,674	374,115
Capitol City Bank	\$ 198,813	315,082
Carver State Bank	\$ 231,454	119,600
Charles Schwab	\$ 723,769	887,934
Suntrust	\$ 438,927	437,702
United Community Bank	\$ 231,095	126,500
Total	<u>\$ 16,364,964</u>	<u>\$ 17,024,035</u>

At June 30, 2012 and 2011 these funds were invested as follows:

	2012		2011	
Cash and cash equivalents	\$ 1,776,420	10.9%	\$ 2,230,497	13.1%
Equities	\$ 9,759,767	59.6%	10,385,600	61.0%
Bonds	\$ 4,828,777	29.5%	4,407,938	25.9%
Total	<u>\$ 16,364,964</u>	<u>100.0%</u>	<u>\$ 17,024,035</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

See Accountants' Report

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS (continued)

measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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, 2012 and 2011.

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,

See Accountants' Report

THE SAVANNAH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (continued)

although 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, with the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2012 and 2011:

Assets at Fair Value as of June 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and bonds	\$14,843,714	\$344,674	\$ -	\$15,188,388
Money market funds	1,176,576	-	-	1,176,576
Total assets at fair value	<u>\$16,020,290</u>	<u>\$344,674</u>	<u>\$ -</u>	<u>\$16,364,964</u>

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	<u>\$16,649,919</u>	<u>\$374,115</u>	<u>\$ -</u>	<u>\$17,024,035</u>

The Foundation does not have any level 3 assets for the years ended June 30, 2012 and 2011.

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, 2012 and 2011 was \$0 and \$22,350, respectively.

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, 2012 and 2011 the balances of these internally imposed restrictions were:

	2012	2011
Discretionary	\$ 560,052	\$ 500,489
Field of Interest/Discretionary	\$ 359,645	378,280
Advised	\$ 8,555,651	9,157,588
Designated	\$ 3,517,483	3,652,435
Scholarships	\$ 2,086,109	2,122,560
Endowment	\$ 1,312,406	1,324,991
Total	<u>\$ 16,391,346</u>	<u>\$ 17,136,343</u>

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 25, 2012, 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 2012 and 2011 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.

See Accountants’ Report

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.