

Essex County Community Foundation, Inc.

Financial Statements
&
Independent Auditor's Report

June 30, 2007

Essex County Community Foundation, Inc.
Financial Statements
June 30, 2007

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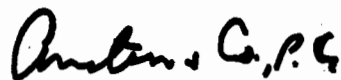
Independent Auditor's Report

To the Board Directors of
Essex County Community Foundation, Inc.

We have audited the accompanying statement of financial position of Essex County Community Foundation, Inc. (the Foundation) as of June 30, 2007 and the related statements of activities and cash flows for the year 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. The financial statements of Essex County Community Foundation, Inc. as of June 30, 2006 were audited by other auditors who, in their report dated September 1, 2006, expressed an unqualified opinion on those financial statements.

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 Essex County Community Foundation, Inc. as of June 30, 2007, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Anstiss & Co., P.C.
August 29, 2007

Essex County Community Foundation, Inc.
Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash and Cash Equivalents	\$ 1,242,711	\$ 2,168,082
Investments (Notes 2 & 5)	9,225,175	5,886,827
Unconditional Promises to Give - Net (Notes 2 & 3)	36,768	81,730
Investments in Split Interest Agreements	983,880	983,880
Prepaid Expenses and Other Assets	6,082	15,185
Property and Equipment - Net (Note 2)	2,684	4,311
Investments Restricted for Long Term Use	644,161	1,904,068
Total Assets	\$ 12,141,461	\$ 11,044,083
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable - Trade	\$ 55,598	\$ 10,213
Grants Payable	50,359	37,998
Accrued Expenses	32,500	17,800
Accrued Payroll and Related	7,809	9,069
Split Interest Agreements (Note 12)	983,880	835,376
Agency Endowment Funds (Note 11)	938,892	799,175
Total Liabilities	2,069,038	1,709,631
NET ASSETS:		
Unrestricted	9,238,369	314,971
Temporarily Restricted (Notes 2 & 6)	189,893	7,115,413
Permanently Restricted (Note 2)	644,161	1,904,068
Total Net Assets	10,072,423	9,334,452
Total Liabilities and Net Assets	\$ 12,141,461	\$ 11,044,083

See the accompanying notes to these financial statements.

Essex County Community Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
SUPPORT AND REVENUE:				
Contributions, Grants and Gifts	\$ 888,107	\$ 25	\$ 11,000	\$ 899,132
Special Event Revenue, net of cost of direct benefit to donors of \$40,689	128,516	-	-	128,516
Program Fees	35,358	30	-	35,388
Investment Income - Net	1,167,131	96,463	-	1,263,594
Donated Services and Goods	45,402	-	-	45,402
Net Assets Released from Restrictions	20,222	(20,222)	-	-
Total Support and Revenues	<u>2,284,736</u>	<u>76,296</u>	<u>11,000</u>	<u>2,372,032</u>
EXPENSES:				
Program Services	1,306,183	-	-	1,306,183
Management and General	169,262	-	-	169,262
Fundraising	116,221	-	-	116,221
Total Expenses	<u>1,591,666</u>	<u>-</u>	<u>-</u>	<u>1,591,666</u>
CHANGE IN NET ASSETS	693,070	76,296	11,000	780,366
NET ASSETS AT BEGINNING OF YEAR	314,971	7,115,413	1,904,068	9,334,452
Reclassification of Net Assets (Note 14)	8,230,328	(7,001,816)	(1,270,907)	(42,395)
NET ASSETS AT END OF YEAR	<u>\$ 9,238,369</u>	<u>\$ 189,893</u>	<u>\$ 644,161</u>	<u>\$ 10,072,423</u>

See the accompanying notes to these financial statements.

Essex County Community Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2006</u>
SUPPORT AND REVENUE:				
Contributions, Grants and Gifts	\$ 237,437	\$ 3,008,668	\$ 221,729	\$ 3,467,834
Special Event Revenue, net of cost of direct benefit to donors of \$78,144	39,411	66,121	-	105,532
Program Fees	6,029	7,765	-	13,794
Investment Income - Net	26,646	583,053	-	609,699
Donated Services and Goods	-	-	-	-
Net Assets Released from Restrictions	1,255,579	(1,275,579)	20,000	-
Total Support and Revenues	<u>1,565,102</u>	<u>2,390,028</u>	<u>241,729</u>	<u>4,196,859</u>
EXPENSES:				
Program Services	1,191,737	-	-	1,191,737
Management and General	169,666	-	-	169,666
Fundraising	98,093	-	-	98,093
Total Expenses	<u>1,459,496</u>	<u>-</u>	<u>-</u>	<u>1,459,496</u>
CHANGE IN NET ASSETS	105,606	2,390,028	241,729	2,737,363
NET ASSETS AT BEGINNING OF YEAR	<u>209,365</u>	<u>4,725,385</u>	<u>1,662,339</u>	<u>6,597,089</u>
NET ASSETS AT END OF YEAR	<u>\$ 314,971</u>	<u>\$ 7,115,413</u>	<u>\$ 1,904,068</u>	<u>\$ 9,334,452</u>

See the accompanying notes to these financial statements.

Essex County Community Foundation, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 780,366	\$ 2,737,363
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,622	8,418
Donated Investments	(86,097)	(2,392,573)
Gain on Investments	(998,487)	(462,307)
Donations to Permanently Restricted Funds	(11,000)	(221,729)
Changes in Assets and Liabilities:		
Decrease (Increase) in Unconditional Promises to Give	44,962	(2,300)
Decrease (Increase) in Other Assets	9,103	(2,289)
Increase (Decrease) in Accounts Payable and Accrued Expenses	71,186	(19,069)
Increase in Other Liabilities	245,826	487,417
Net Cash Provided by Operating Activities	<u>58,481</u>	<u>132,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(995)	-
Purchase of Investments	(9,749,289)	(4,898,176)
Sale of Investments	8,755,432	5,232,761
Decrease in Restricted Cash	-	2,923
Net Cash (Used) Provided by Investing Activities	<u>(994,852)</u>	<u>337,508</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Donations to Permanently Restricted Funds	<u>11,000</u>	<u>221,729</u>
Net Cash Provided by Financing Activities	<u>11,000</u>	<u>221,729</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(925,371)	692,168
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,168,082</u>	<u>1,475,914</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,242,711</u>	<u>\$ 2,168,082</u>
 Supplemental Information		
Donated Services and Goods	<u>\$ 45,402</u>	<u>\$ -</u>
Donated Investments	<u>\$ 86,097</u>	<u>\$ 2,392,573</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>
Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to these financial statements.

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION

Essex County Community Foundation, Inc. (the Foundation) is a nonprofit organization established in 1999 as a broad-based public foundation. Its purpose is to promote and expand philanthropy primarily in Essex County, Massachusetts, by collaborating with donors and by connecting them to the vital and effective work of the non-profit agencies serving Essex County communities. The Foundation seeks to provide services to people whose care and loyalty for Essex County communities leads them to community philanthropy.

The Foundation seeks to build endowments and donor advised funds to support public benefit purposes. The Foundation's funds have been established for the following purposes:

Discretionary Funds

The Foundation makes grants to non-profit agencies in Essex County during its annual grant cycle. The Foundation holds informational meetings open to all non-profit agencies in different parts of the county on a regular basis. Agencies are invited to submit grant proposals which are reviewed by a community-based volunteer Grant Management Committee. The committee makes grant recommendations to the Foundation's Board of Trustees for final approval.

Field of Interest Funds

Field of interest funds are used to support projects within a donor-specified geographic area or within a charitable field of interest selected by the donor, such as the arts, conservation, education, health, social services, etc., within Essex County. The Foundation circulates a Request for Proposal to all agencies within the selected field of interest. The Foundation's Grant Management Committee or a committee designated by the donor reviews these proposals and makes recommendations to the Board of Trustees for final approval.

Agency Endowments

Through agency endowments, agencies are able to aggregate their funds with the Foundation, designating themselves as beneficiary. These agencies benefit from investing their funds with the Foundation's more substantial endowment and from using the fund management facilities already established by the Foundation, including investment management, income distribution and fundraising assistance.

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 1 – ORGANIZATION (continued)

Designated Funds

A designated fund is a fund established for the benefit of a designated non-profit agency or program. Beneficiaries, chosen by the donor, will receive the benefit of that donation for many years to come.

Donor Advised Funds

Donor advised funds are used by community foundations to provide donors with a compelling alternative to establishing their own private foundation or charitable trust. With a donor advised fund, there is no requirement for the donor to establish a tax exempt entity, which takes time, administrative effort and money. Through a designated committee, the donor can advise the community foundation with respect to the regular disbursements of grants from the fund and arrange for the transfer of cash or stock to the community foundation for the benefit of the fund.

Scholarship Funds

The Foundation provides an opportunity for donors to establish scholarship funds to benefit individuals who might otherwise be unable to complete or continue their education at the secondary level or beyond.

Internal Funds

An internal fund is a fund established to support the operations of the Foundation. Internal funds have been established for operations, discretionary grant making, youth and environmental programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations are classified as unrestricted.

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time are classified as temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that the principal contribution be maintained permanently by the organization are classified as permanently restricted. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. At June 30, 2007 the Foundation had permanently restricted net assets of \$644,161.

Income Taxes

The Foundation is a community foundation that has qualified as a public charity under Internal Revenue Service Code Section 170 (b)(1)(A)(vi) and has been recognized as exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Massachusetts Chapter 180. Accordingly, no provision for income taxes is required.

Property and Equipment

All fixed assets are recorded at cost. Maintenance, repairs, rearrangement expenses, and renewal and betterments that do not significantly enhance the value or increase the basic productive capacity of the assets are charged to expenses as incurred. The Foundation depreciates property and equipment using the straight-line method over useful lives of the assets.

Property and Equipment is composed of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Furniture & Equipment	\$ 54,709	\$ 53,714
Software	39,277	39,277
Total Property & Equipment	93,986	92,991
Less Accumulated Depreciation	91,302	88,680
Property & Equipment - Net	\$ 2,684	\$ 4,311

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the current year change in net assets.

Promises to Give

Contributions are recognized when the donor makes a promise (pledge) to give to the Foundation that is, in substance, unconditional. Promises to give (all temporarily restricted) as of June 30, 2007 and 2006 were \$36,768 and \$81,730, respectively. Promises to give due next year are recorded at their net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value, using a risk-free interest rate of 6% applicable to the years in which the promises are to be received. Approximately 86% of the outstanding pledges as of June 30, 2007, are due from one donor.

In-Kind Contributions

No amounts have been reflected in the financial statements for donated services as the services were not provided by professionals in the regular course of their business. However, a substantial number of volunteers have donated significant amounts of their time in various organizational and fundraising activities.

Donated Services

The Organization receives volunteer services from its current executive director. The estimated value of these services, \$45,000 as of June 30, 2007, and has been recorded as income and expense in the financial statements.

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Due Within One Year	\$ 20,000	\$ 35,000
Due in Five to Ten Years	16,730	46,730
	\$ 36,730	\$ 81,730

Unconditional promises to give are shown net of an unamortized discount for fiscal year 2007 in the amount of \$3,270.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Foundation places its cash investments with high quality financial institutions. At times such investments may exceed Federal Deposit Insurance Commission (FDIC) insurance limits. Management routinely assesses the financial strength of the institutions in order to minimize this risk.

NOTE 5 - INVESTMENTS

Investments, recorded at market value based on market quotes from the principal exchanges on which the security is traded, consist of a mix of 50-75% equity and 25-50% cash and fixed income securities, and are summarized as follows:

	<u>2007</u>	<u>2006</u>
Equities	\$4,585,614	\$3,926,008
Mutual Funds	1,853,852	3,325,662
Government Bonds	-	495,313
Corporate Bonds	3,429,870	-
Other Equities	-	43,912
	\$9,869,336	\$7,790,895

Investment return on cash equivalents and investments consisted of the following for the years ended June 30:

	<u>2007</u>	<u>2006</u>
Interest and Dividends	\$ 291,075	\$ 210,186
Realized Gains and Losses	370,294	411,859
Unrealized Gains and Losses	628,193	11,825
Investment Fees	(25,968)	(24,171)
	\$1,263,594	\$ 609,699

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$23,096 as of June 30, 2007, are primarily restricted as to purpose. Additional temporarily restricted net assets of \$166,797 as of June 30, 2007, consist of earnings on the principal of permanently restricted contributions and unconditional promises to give that are primarily restricted as to time.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Foundation sponsors a defined contribution salary deferral plan covering substantially all employees. Under the Plan, participants may defer a portion of their compensation on a pre-tax basis subject to statutory limitations.

NOTE 8 - OPERATING LEASE

The Foundation occupies office space in Danvers, MA under an operating lease, which expires in September 2009. The lease provides for monthly rental payments of \$2,250 for 2007, subject to annual increases. Rent expense for 2007 and 2006 was \$28,200 and \$25,875, respectively. The minimum required lease payments are as follows for fiscal years ending June 30:

2008	\$ 27,675
2009	\$ 28,575
2010	\$ 7,200

NOTE 9 – RECLASSIFICATIONS

During 2007 certain amounts from the prior year financial statements were reclassified to conform to the current year's presentation.

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 10 – RELATED PARTY ACTIVITY

Pledges receivable of \$35,000 and \$40,000 for years ending June 30, 2007 and 2006, respectively, were due from members of the Board of Trustees. In addition, legal services were provided by a member of the Board of Trustees who received compensation of \$484 and \$5,272 for years ending June 30, 2007 and 2006, respectively, for those services.

NOTE 11 – AGENCY ENDOWMENT FUNDS

Agency endowment arises when a transfer is received from a not-for-profit organization that specifies itself as the beneficiary. Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, requires that the transfers received by a community foundation be accounted for as a liability, as the transaction is deemed to be reciprocal. The agency endowments held by the Foundation as of June 30, 2007 and 2006 were \$938,892 and \$799,175, respectively.

NOTE 12 – SPLIT INTEREST AGREEMENTS

Split interest agreements are created to provide an annuity-type payment to a beneficiary with the principal transferred to the Foundation at the death of the beneficiary. As of June 30, 2007, the Foundation had reinsured 100% of its split interest agreements. The annuity obligations are estimates that may differ from amounts actually paid.

Essex County Community Foundation, Inc.
Notes to Financial Statements
June 30, 2007

NOTE 13 – MERGER

During 2006, the Foundation merged with “I Have a Dream” – Lawrence, MA Foundation (IHDF). Under the terms of the merger, the Foundation received all assets and liabilities of IHDF for no consideration. The merger was recorded in accordance with the method of accounting for contributions specified in Financial Accounting Standards Board Statement No. 116, *Accounting for Contributions Received and Contributions Made*. Merged funds totaled \$1,403,012, which approximates 44% of the Foundation’s contributions for 2006.

NOTE 14 – RECLASSIFICATION OF NET ASSETS

During 2007 certain funds were reclassified as to net asset restrictions based on current interpretation by management of the fund agreements and applicable reporting requirements. In addition, based on that interpretation, \$42,395 was reclassified to agency endowment funds as a liability.