

**COMMUNITY FOUNDATION OF GREENVILLE**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

**COMMUNITY FOUNDATION OF GREENVILLE**

**DECEMBER 31, 2007**

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## Independent Auditor's Report

The Board of Directors  
Community Foundation of Greenville  
Greenville, South Carolina

We have audited the accompanying statement of financial position of the Community Foundation of Greenville as of December 31, 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 opinions 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 Community Foundation of Greenville as of December 31, 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.

*McKinley, Cooper & Co., LLP*

April 22, 2008

COMMUNITY FOUNDATION OF GREENVILLE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007

**ASSETS**

Cash and cash equivalents	\$ 5,138,922
Other accounts receivable	61,230
Expected collection under agreement with third parties	1,413,052
Assets held - charitable remainder trusts	1,357,190
Contributions receivable - charitable remainder trusts	260,820
Investments	32,275,893
Cash surrender value life insurance	186,944
Property and equipment, net	<u>157,224</u>
<b>Total assets</b>	<b><u>\$ 40,851,275</u></b>

**LIABILITIES**

Grants and accounts payable	\$ 94,135
Obligations under agreement with third parties	1,413,052
Liability under unitrust agreements	1,026,233
Funds held for others	<u>5,462,126</u>
<b>Total liabilities</b>	<b><u>7,995,546</u></b>

**NET ASSETS**

Unrestricted	12,898,257
Temporarily restricted	10,932,681
Permanently restricted	<u>9,024,791</u>

**Total net assets** **32,855,729**

**Total liabilities and net assets** **\$ 40,851,275**

*The accompanying notes are an integral part of these financial statements.*

**COMMUNITY FOUNDATION OF GREENVILLE**

**STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2007**

<b>Changes in unrestricted net assets</b>	
Unrestricted revenues and other support	
Contributions	\$ 249,641
Investment income	1,287,113
Net gain (loss) on investments	(343,237)
Management fee	283,128
Net assets released from restrictions	<u>3,217,501</u>
Total unrestricted revenues and other support	<u>4,694,146</u>
<b>Expenses</b>	
Programs	
Grants and distributions	4,430,233
Supporting services	
Administrative expenses	<u>953,982</u>
Total expenses	<u>5,384,215</u>
Decrease in unrestricted net assets	<u>(690,069)</u>
<b>Changes in temporarily restricted net assets</b>	
Contributions	6,864,712
Change in value of charitable remainder trusts	(22,304)
Net assets released from restrictions	<u>(3,217,501)</u>
Increase in temporarily restricted net assets	<u>3,624,907</u>
<b>Changes in permanently restricted net assets</b>	
Contributions	<u>1,217,022</u>
Increase in permanently restricted net assets	<u>1,217,022</u>
Change in net assets	4,151,860
<b>Net assets, beginning of year</b>	<u>28,703,869</u>
<b>Net assets, end of year</b>	<u>\$ 32,855,729</u>

*The accompanying notes are an integral part of these financial statements.*

COMMUNITY FOUNDATION OF GREENVILLE

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 4,151,860
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	5,198
Net (loss) on investments	(343,237)
Change in	
Assets held in trust	(35,962)
Other accounts receivable	190,828
Contributions receivable - charitable remainder trusts	(13,061)
Prepaid expenses	22,957
Grants and accounts payable	840
Liabilities under trust	71,328
Funds held by others	438,270
<b>Net cash provided by operating activities</b>	<u>4,489,021</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Increase in cash surrender value life insurance	(20,341)
Net increase in investments	(1,685,671)
<b>Net cash used in investing activities</b>	<u>(1,706,012)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,783,009
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,355,913</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 5,138,922</u>

*The accompanying notes are an integral part of these financial statements.*

# COMMUNITY FOUNDATION OF GREENVILLE

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

The Community Foundation of Greenville (the "Foundation") was established in 1956 as a charitable trust and changed to corporate form in 1971 to benefit Greenville County and the Greater Greenville Area. The Foundation manages and administers charitable funds and makes distributions to nonprofit organizations through a volunteer self-perpetuating Board of Directors. Based on the by-laws of the Foundation, the Board of Directors has the power to modify any condition or restriction on the distribution of funds for any specified charitable purpose or to any specified organization if in its sole judgment such condition or restriction becomes incapable of fulfillment, inconsistent with the charitable needs of the community, or unnecessary.

#### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### **Income Taxes**

The Foundation is a public support organization under Section 509(a)(1) of the Internal Revenue Code and is exempt from federal and state income taxes.

#### **Cash and Cash Equivalents**

Cash and cash equivalents presented in the statement of cash flows represent cash on hand and demand deposits at financial institutions with a maturity of three months or less when purchased.

#### **Investments**

Investments are stated at fair value. Included in investments are cash and cash equivalents on deposit with money managers.

#### **Property and Equipment**

Property and equipment are reported at cost, if purchased, or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, primarily five years.

#### **Donated Assets**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for 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.

#### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily

restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

**Investment Policy**

The Foundation has adopted a policy whereby it limits the amount of income that may be utilized for operating or grant purposes to five percent of the trailing three-year average of the endowment's market value. This policy enables the Foundation to preserve and strengthen its endowment for the future.

**Grants Policy**

Grants authorized but unpaid at yearend are reported as liabilities.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and various committee assignments.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The Foundation maintains cash balances at a financial institution in excess of FDIC insured limits. Based on the credit rating of this institution, management believes there is no significant credit risk related to deposits.

**NOTE 3 – INVESTMENTS**

Investments, carried at market value, at December 31 are as follows:

Unrestricted		
Pooled investments	\$	<u>7,448,072</u>
Temporarily restricted		
Money market funds	\$	1,597,698
Corporate securities funds		1,486,395
Pooled investments		6,009,091
Capital venture		1,247,720
	\$	<u>10,340,904</u>
Permanently restricted		
Money market funds	\$	791,818
Pooled investments		13,695,099
	\$	<u>14,486,917</u>

**NOTE 4 – WALTER D. JOHNSON, JR. TRUST**

The Foundation is the trustee for the Walter D. Johnson, Jr. Trust. This trust, which has assets of \$193,222, was established in order to make grants for education in the field of social services. In 2007, grants totaling \$16,817 were made. The assets of the Walter D. Johnson, Jr. Trust are not included in these financial statements.

**NOTE 5 – INTEREST IN LIMITED PARTNERSHIPS**

Temporarily restricted investments include the Foundation's 12.95% ownership interest in VAXA Capital Partners Limited Partnership and any contributions, losses and withdrawals or distributions to date. This ownership interest was transferred to the Foundation in October 2002 and its value at December 31, 2007 was \$1,247,720.

**NOTE 6 – BENEFICIAL INTEREST TRUST**

The Foundation is the beneficiary of a trust administered by a bank. The assets of the trust are not included in the Statement of Financial Position of the Foundation since the Foundation does not exercise any control over those funds. The income from the trust is distributed to the donor annually. The market value of the trust's assets at December 31, 2007 was \$191,747.

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2007 are summarized below:

Land	\$ 150,000
Equipment	65,743
	<u>215,743</u>
Less: accumulated depreciation	58,519
	<u>\$ 157,224</u>

**NOTE 8 – GRANTS PAYABLE**

Future anticipated cash flows for grants payable at December 31, 2007 are summarized as follows:

Payable in one year	\$ 70,000
	<u>\$ 70,000</u>

**NOTE 9 – OPERATING LEASES**

The Foundation has noncancelable operating leases for equipment that expire in 2009 and 2012. Rental expense for those leases was approximately \$14,500 for the year ended December 31, 2007.

Also, the Foundation has an agreement to lease office space through May 2010. Rental expense under this lease was \$30,061 in 2007.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2007 are:

2008	\$ 38,172
2009	37,981
2010	17,200
2011	4,032
2012	3,024
	<u>\$ 100,409</u>

#### **NOTE 10 – EMPLOYEES' RETIREMENT SAVINGS PLAN**

The Foundation has a defined contribution retirement savings plan for all regular full-time employees who are a minimum of twenty-one years of age. Under the plan, employees may contribute up to 15% of their annual compensation. The Foundation also contributes 10% of the participants' compensation. The Foundation contributed \$29,960 to the Plan during the year ended December 31, 2007.

#### **NOTE 11 – CHARITABLE REMAINDER TRUSTS**

The Foundation administers various charitable remainder trusts which provide for the payment of distributions to designated beneficiaries over the trusts' term (usually the designated beneficiary's lifetime). At the end of the trusts' term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trusts are established. Assets held in the charitable remainder trusts totaled \$1,357,190 at December 31, 2007. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$1,026,233 at December 31, 2007) is calculated using a discount rate of 7% and applicable mortality tables.

Also, various donors have established trusts with local financial institutions, naming the Foundation as the beneficiary of charitable remainder trusts. Under the terms of the split-interest agreement, at the time of the donor's death, the trusts terminate and trust assets are distributed to the Foundation. Based on donor life expectancy and the use of a 7% discount rate, the present value of future benefits expected to be received by the Foundation is estimated to be \$260,820, which is reported as temporarily restricted net assets and a contribution receivable from charitable remainder trusts in 2007. The Foundation also recorded amortization of the discount on the estimated present value of future benefits of \$13,061 in 2007.

#### **NOTE 12 – FUNDS HELD FOR OTHERS**

The Foundation receives and distributes assets under certain agency and intermediary agreements. Amounts received and distributed under these agreements for 2007 totaled \$246,870 and \$195,163, respectively. Additionally, investment gains and expense for 2007 allocated to agency funds totaled \$440,704 and \$54,141, respectively. The related amounts received but not yet distributed totaled \$5,462,126 for 2007, and are included in funds held for others.

#### **NOTE 13 – COMMITMENTS**

The Foundation has granted conditional scholarships to thirteen students through 2010. The aggregate commitment under these agreements is approximately \$65,000 at December 31, 2007.

The Foundation made a conditional promise to give a not-for-profit organization up to \$100,000 per year for five years, 2006 through 2010. The Foundation's board must approve the gift each year. The recipient organization must submit each year detailed information on the governance, facility, operation, and budget. This conditional promise will be recorded annually when approved by the Foundation's board.

#### **NOTE 14 – OBLIGATION UNDER AGREEMENT WITH THIRD PARTY**

During 2004, County Council of Greenville, South Carolina (the "County") requested that the Foundation's Board of Directors authorize the Foundation to enter into an arrangement, with a commercial bank serving the Greenville market, for the purpose of expediting the transfer of funds to several charitable organizations for use by the beneficiary organizations to enhance their charitable activities in the Greenville community. In