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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Gulf Coast Community Foundation, Inc.

We have audited the accompanying statements of financial position of Gulf Coast Community Foundation, Inc. (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2007 and for the nine months ended June 30, 2006. 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 audits 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 audits provide 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 Gulf Coast Community Foundation, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for year ended June 30, 2007 and for the nine months ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

Haddox Reid Burkes & Calhoun PLLC

January 15, 2008

GULF COAST COMMUNITY FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

ASSETS

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 5,255,373	3,765,169
Investments	13,018,023	10,424,214
Assets held in charitable lead trust	811,009	772,988
Beneficial interest in charitable remainder unitrust	1,170,000	1,145,000
Property and equipment, net of accumulated depreciation of \$27,249	36,506	66,578
Other receivables	<u>669</u>	<u>-</u>
Total assets	<u>\$ 20,291,580</u>	<u>16,173,949</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 413,428	-
Grants payable	15,687	-
Payroll taxes payable	4,021	2,454
Liability for agency relationships	46,144	66,680
Liability for split interest agreement	<u>730,481</u>	<u>692,057</u>
Total liabilities	<u>1,209,761</u>	<u>761,191</u>
NET ASSETS:		
Unrestricted	9,435,566	14,186,827
Temporarily restricted	4,644,297	1,225,931
Permanently restricted	<u>5,001,956</u>	<u>-</u>
Total net assets	<u>19,081,819</u>	<u>15,412,758</u>
Total liabilities and net assets	<u>\$ 20,291,580</u>	<u>16,173,949</u>

The accompanying notes are an integral part of these statements.

GULF COAST COMMUNITY FOUNDATION, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
SUPPORT AND REVENUE:				
Contributions	\$ 1,617,835	6,094,066	83,895	7,795,796
Administrative fees	368,797	-	-	368,797
Rent income	3,074	-	-	3,074
Interest and dividends	248,339	43,512	141,501	433,352
Realized and unrealized gains	865,591	77,273	471,883	1,414,747
Change in value of split- interest agreements	-	25,000	-	25,000
Amortization of discounts	-	5,382	-	5,382
Net assets released from restrictions	<u>2,797,632</u>	<u>(2,604,763)</u>	<u>(192,869)</u>	<u>-</u>
Total support and revenue	<u>5,901,268</u>	<u>3,640,470</u>	<u>504,410</u>	<u>10,046,148</u>
EXPENSES:				
Program services:				
Grants	5,819,084	-	-	5,819,084
Support services:				
General and administrative	<u>558,003</u>	<u>-</u>	<u>-</u>	<u>558,003</u>
Total expenses	<u>6,377,087</u>	<u>-</u>	<u>-</u>	<u>6,377,087</u>
CHANGES IN NET ASSETS	<u>(475,819)</u>	<u>3,640,470</u>	<u>504,410</u>	<u>3,669,061</u>
NET ASSETS, BEGINNING OF YEAR - PREVIOUSLY STATED	14,186,827	1,225,931	-	15,412,758
FUND RECLASSIFICATION OF NET ASSETS	<u>(4,275,442)</u>	<u>(222,104)</u>	<u>4,497,546</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR - RESTATED	<u>9,911,385</u>	<u>1,003,827</u>	<u>4,497,546</u>	<u>15,412,758</u>
NET ASSETS, END OF YEAR	<u>\$ 9,435,566</u>	<u>4,644,297</u>	<u>5,001,956</u>	<u>19,081,819</u>

The accompanying notes are an integral part of this statement.

GULF COAST COMMUNITY FOUNDATION, INC.

**STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED JUNE 30, 2006**

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 9,707,170	-	9,707,170
Administrative fees	-	-	-
Rent income	-	-	-
Interest and dividends	474,824	-	474,824
Realized and unrealized gains	392,083	-	392,083
Change in value of split-interest agreements	-	135,000	135,000
Amortization of discounts	-	5,670	5,670
Net assets released from restrictions	7,554	(7,554)	-
Total support and revenue	<u>10,581,631</u>	<u>133,116</u>	<u>10,714,747</u>
EXPENSES:			
Program services:			
Grants	4,847,478	-	4,847,478
Support services:			
General and administrative	272,335	-	272,335
Total expenses	<u>5,119,813</u>	<u>-</u>	<u>5,119,813</u>
CHANGES IN NET ASSETS	5,461,818	133,116	5,594,934
NET ASSETS, BEGINNING OF YEAR	<u>8,725,009</u>	<u>1,092,815</u>	<u>9,817,824</u>
NET ASSETS, END OF YEAR	<u>\$ 14,186,827</u>	<u>1,225,931</u>	<u>15,412,758</u>

The accompanying notes are an integral part of this statement.

GULF COAST COMMUNITY FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

	Program Services	General and Administrative	Total
Salaries	\$ -	243,410	243,410
Employee benefits	-	20,602	20,602
Payroll taxes	-	18,819	18,819
Total salaries and related expense	-	282,831	282,831
Grants and allocations	5,819,084	-	5,819,084
Accounting and audit	-	58,606	58,606
Brokerage fees	-	84,544	84,544
Computer	-	12,138	12,138
Consulting fees	-	24,179	24,179
Depreciation	-	21,163	21,163
Dues and subscriptions	-	5,894	5,894
Telephone	-	9,011	9,011
Postage	-	3,675	3,675
Rent/Lease	-	5,001	5,001
Office supplies and expense	-	11,022	11,022
Printing and publications	-	4,656	4,656
Travel and meetings	-	28,669	28,669
Insurance	-	2,610	2,610
Miscellaneous	-	4,004	4,004
Total operating expenses	5,819,084	275,172	6,094,256
Total expenses	\$ 5,819,084	558,003	6,377,087

The accompanying notes are an integral part of this statement.

GULF COAST COMMUNITY FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED JUNE 30, 2006**

	Program Services	General and Administrative	Total
Salaries	\$ -	116,765	116,765
Employee benefits	-	12,535	12,535
Payroll taxes	-	8,927	8,927
Total salaries and related expense	-	138,227	138,227
Grants and allocations	4,847,478	-	4,847,478
Accounting and audit	-	510	510
Brokerage fees	-	32,338	32,338
Computer	-	6,345	6,345
Consulting fees	-	40,504	40,504
Depreciation	-	4,166	4,166
Dues and subscriptions	-	1,742	1,742
Telephone	-	6,489	6,489
Postage	-	2,673	2,673
Occupancy	-	4,019	4,019
Office supplies and expense	-	10,651	10,651
Printing and publications	-	4,684	4,684
Travel and meetings	-	8,327	8,327
Insurance	-	1,093	1,093
Miscellaneous	-	10,567	10,567
Total operating expenses	4,847,478	134,108	4,981,586
 Total expenses	 \$ 4,847,478	 272,335	 5,119,813

The accompanying notes are an integral part of this statement.

GULF COAST COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2007	Nine Months Ended June 30, 2006
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 3,669,061	5,594,934
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	21,163	4,166
Noncash contributions		(68,000)
Noncash donation of fixed asset	15,750	-
Amortization of discount on split-interest agreement	(5,382)	(5,670)
Realized and unrealized gains on investments, net	(1,414,777)	(392,083)
(Increase) decrease in operating assets:		
Assets held in charitable lead trust	(38,021)	30,813
Beneficial interest in remainder trust	(25,000)	(135,000)
Other receivables	(669)	-
Increase (decrease) in operating liabilities:		
Payroll taxes payable	1,567	(4,652)
Liability for agency relationships	(20,536)	35,376
Liability for split interest agreement	38,424	(40,205)
Grants payable	15,687	-
Accounts payable	413,428	-
Net cash provided by operating activities	<u>2,670,695</u>	<u>5,019,679</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Additions to fixed assets	(6,842)	-
Investment purchases, net of redemptions	<u>(1,173,649)</u>	<u>(2,180,683)</u>
Net cash used by investing activities	<u>(1,180,491)</u>	<u>(2,180,683)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,490,204	2,838,996
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,765,169</u>	<u>926,173</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,255,373</u>	<u>3,765,169</u>

The accompanying notes are an integral part of these statements.

GULF COAST COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Gulf Coast Community Foundation, Inc. (the Foundation) is a Mississippi nonprofit corporation chartered on October 5, 1989. It is operated exclusively for public charitable uses and purposes, including, but not limited to, all charitable, scientific, literary, educational, cultural, and civic purposes that most effectively serve the needs and interests of the Mississippi Gulf Coast community. The Foundation administers funds contributed or bequeathed to it by individuals, other agencies, corporations, and other sources for the benefit of the Mississippi Gulf Coast in a manner consistent with donors' interests.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (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 based on the existence of donor-imposed restrictions.

Net Assets

Net assets, revenues and expenses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Foundation, and changes therein, are classified and reported in one of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. A description of these categories follows:

Unrestricted - all other net assets, including board-designated or appropriated amounts.

Temporarily restricted - funds with donor-imposed purpose restrictions which have not been met and trust activity for which the ultimate purpose of the proceeds is not permanently restricted.

GULF COAST COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Net Assets - continued:

Permanently restricted - funds which require by donor restrictions that the corpus be invested in perpetuity and only the income be made available in accordance with donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Property and Equipment

Property and equipment are stated at cost if purchased, or at fair market value if contributed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Contributed Services

For the periods ended June 30, 2007 and 2006, the value of contributed services meeting the requirements for recognition in the financial statements was not material and no contributed services have been recorded.

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. Accordingly, actual results could differ from those estimates.

GULF COAST COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Reclassification

Certain amounts in the 2006 financial statements have been restated to conform to the classifications adopted in 2007.

NOTE 2 - INVESTMENTS

The Foundation carries investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair values in the statement of financial position.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Cost, market values, and unrealized appreciation (depreciation) of investments for the periods ended June 30, 2007 and 2006 are summarized below:

<u>June 30, 2007</u>	<u>Cost/ Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 139,176	139,935	759
Equity mutual funds	6,821,464	7,542,949	721,485
Government bonds	4,199,553	4,171,072	(28,481)
Corporate bonds	<u>1,179,230</u>	<u>1,164,067</u>	<u>(15,163)</u>
	<u>\$ 12,339,423</u>	<u>13,018,023</u>	<u>678,600</u>
<u>June 30, 2006</u>	<u>Cost/ Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity funds	\$ 651,490	653,766	2,276
Mutual funds	5,505,782	5,297,323	(208,459)
Bonds	<u>4,568,709</u>	<u>4,473,125</u>	<u>(95,584)</u>
	<u>\$ 10,725,981</u>	<u>10,424,214</u>	<u>(301,767)</u>

GULF COAST COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 3 - CHARITABLE LEAD TRUST

On August 29, 1997, a donor established a charitable lead trust naming the Foundation as the lead beneficiary of a charitable lead annuity trust. Under terms of the split-interest agreement, the Foundation is to receive \$10,000 annually for twenty years for its unrestricted use, and the Catholic Diocese of Biloxi is to receive \$50,000 annually for the same period. At the expiration of the twenty years, the trust is to terminate and the remaining trust assets are to be distributed to others as specified in the trust agreement. Using a 6.65% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$107,317, which was reported in 1997 as a temporarily restricted contribution. Each year, the Foundation recognizes temporarily restricted revenue for the amortization of the present value discount. The Foundation recognized amortization of the discount on the estimated present value of future benefits of \$5,382 and \$5,670 for the periods ending June 30, 2007 and 2006, respectively.

The assets held in the trust are recorded at market value and are reflected on the statement of financial position of the Foundation as of June 30, 2007 and 2006 in the amount of \$811,009 and \$772,988, respectively. All increases and decreases in the market value of the trust assets are recorded as changes in the liability held for others.

NOTE 4 - CHARITABLE REMAINDER UNITRUST

During 2003, a donor established a charitable remainder unitrust with a local third party investment advisory firm. The charitable remainder unitrust provides for distributions to the grantor or other designated beneficiaries over the life of the unitrust (usually the designated beneficiary's lifetime). Upon the death of the designated beneficiary, the remaining unitrust assets will be distributed to the Foundation in satisfaction of its charitable remainder interest. The present value of the unitrust attributable to the future benefits to be received by the Foundation is recorded in the statement of financial position as of June 30, 2007 and 2006 in the amount of \$1,170,000 and \$1,145,000, respectively.

NOTE 5 - RISKS AND UNCERTAINTIES

The Foundation maintains cash balances at various financial institutions, which at times may exceed the federally insured limit of \$100,000. The Foundation has not experienced any such losses and does not believe that it is exposed to any significant credit risk on these deposits. The amount of deposits in excess of the federally insured limit was \$5,032,000 at June 30, 2007 and \$1,713,597 at June 30, 2006.

GULF COAST COMMUNITY FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 5 - RISKS AND UNCERTAINTIES - CONTINUED:

Investment securities are exposed to various market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment are stated at cost at the date of acquisition or at fair market value at the date received if donated.

Depreciation is recorded on assets over their estimated useful lives (ranging from three to thirty years) on the straight-line basis. Depreciation expense for the periods ended June 30, 2007 and 2006 was \$21,163 and \$4,166, respectively. A summary of fixed assets follows:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 42,249	36,913
Software	20,000	20,000
Buildings	-	18,000
Office furniture	1,506	-
	<u>63,755</u>	<u>74,913</u>
Less accumulated depreciation	<u>27,249</u>	<u>8,335</u>
	<u>\$ 36,506</u>	<u>66,578</u>