

**GULF COAST COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**AND**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**YEAR ENDED JUNE 30, 2008**

**(With Summarized Financial Information for the Year Ended June 30, 2007)**

**HADDOX REID BURKES & CALHOUN PLLC**

Certified Public Accountants

Jackson, Mississippi

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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, 2008, and the related statements of activities, functional expenses, 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements and, in our report dated January 15, 2008, we 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 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 audit 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Haddox Reid Burkes & Calhoun PLLC*

November 10, 2008

**GULF COAST COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2008**

**(With Summarized Financial Information for June 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 28,759,525	5,395,308
Investments - marketable equity securities	11,817,849	12,878,088
Investment in unconsolidated non-profit entity	2,000,000	-
Assets held in charitable lead trust	715,769	811,009
Beneficial interest in charitable remainder unitrust	983,655	1,170,000
Property and equipment, net of accumulated depreciation	24,295	36,506
Interest receivable	47,508	669
	<u>\$ 44,348,601</u>	<u>20,291,580</u>
Total assets	<u>\$ 44,348,601</u>	<u>20,291,580</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>		
Accounts payable	\$ 2,922	413,428
Grants payable	601,526	15,687
Payroll taxes payable	2,105	4,021
Liability for agency relationships	3,838,276	2,923,655
Liability for split interest agreement	637,186	730,481
Total liabilities	<u>5,082,015</u>	<u>4,087,272</u>
<b>NET ASSETS:</b>		
Unrestricted	11,159,964	9,485,145
Temporarily restricted	28,106,622	6,719,163
Total net assets	<u>39,266,586</u>	<u>16,204,308</u>
Total liabilities and net assets	<u>\$ 44,348,601</u>	<u>20,291,580</u>

The accompanying notes are an integral part of this statement.

**GULF COAST COMMUNITY FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008  
(With Summarized Financial Information for the Year Ended June 30, 2007)**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2008 Total	2007 Total
<b>SUPPORT AND REVENUE:</b>					
Contributions	\$ 521,290	32,274,891	-	32,796,181	7,795,796
Administrative fees	174,604	-	-	174,604	368,797
Rent income	1,349	-	-	1,349	3,074
Interest and dividends	1,210,438	166,396	-	1,376,834	433,352
Realized/unrealized gains (losses)	(544,297)	(255,529)	-	(799,826)	1,414,747
Change in value of split- interest agreements	-	(186,345)	-	(186,345)	25,000
Amortization of discounts	-	5,075	-	5,075	5,382
Other income	55,687	-	-	55,687	-
Net assets released from restrictions	<u>10,617,029</u>	<u>(10,617,029)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>12,036,100</u>	<u>21,387,459</u>	<u>-</u>	<u>33,423,559</u>	<u>10,046,148</u>
<b>EXPENSES:</b>					
Program services:					
Grants	9,630,406	-	-	9,630,406	5,819,084
General and administrative	238,799	-	-	238,799	-
Support services:					
General and administrative	492,076	-	-	492,076	558,003
Total expenses	<u>10,361,281</u>	<u>-</u>	<u>-</u>	<u>10,361,281</u>	<u>6,377,087</u>
<b>CHANGES IN NET ASSETS</b>	1,674,819	21,387,459	-	23,062,278	3,669,061
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>9,485,145</u>	<u>6,719,163</u>	<u>-</u>	<u>16,204,308</u>	<u>12,535,247</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$11,159,964</u>	<u>28,106,622</u>	<u>-</u>	<u>39,266,586</u>	<u>16,204,308</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, 2008**

**(With Summarized Financial Information for the Year Ended June 30, 2007)**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>2008 Total</u>	<u>2007 Total</u>
Salaries	\$ 129,071	276,655	405,726	243,410
Employee benefits	6,799	10,065	16,864	20,602
Payroll taxes	10,200	23,064	33,264	18,819
Total salaries and related expense	<u>146,070</u>	<u>309,784</u>	<u>455,854</u>	<u>282,831</u>
Grants and allocations	9,630,406	-	9,630,406	5,819,084
Professional fees	-	53,740	53,740	58,606
Brokerage fees	71,716	4,752	76,468	84,544
Computer	-	12,792	12,792	12,138
Consulting fees	-	29,113	29,113	24,179
Depreciation	-	13,577	13,577	21,163
Dues and subscriptions	-	4,997	4,997	5,894
Telephone	3,387	5,418	8,805	9,011
Postage	170	3,695	3,865	3,675
Rent/Lease	-	11,623	11,623	5,001
Office supplies and expense	1,528	8,596	10,124	11,022
Printing and publications	294	2,639	2,933	4,656
Travel and meetings	15,634	19,941	35,575	28,669
Insurance	-	10,258	10,258	2,610
Miscellaneous	-	1,151	1,151	4,004
Total operating expenses	<u>9,723,135</u>	<u>182,292</u>	<u>9,905,427</u>	<u>6,094,256</u>
Total expenses	<u>\$ 9,869,205</u>	<u>492,076</u>	<u>10,361,281</u>	<u>6,377,087</u>

The accompanying notes are an integral part of this statement.

**GULF COAST COMMUNITY FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008  
(With Summarized Financial Information for the Year Ended June 30, 2007)**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 23,062,278	3,669,061
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	13,577	21,163
Noncash donation of fixed asset	-	15,750
Amortization of discount on split-interest agreement	(5,075)	(5,382)
Realized and unrealized gains on investments , net	799,826	(1,414,747)
(Increase) decrease in operating assets:		
Assets held in charitable lead trust	95,240	(38,021)
Beneficial interest in remainder trust	186,345	(25,000)
Interest receivable	(46,839)	(699)
Increase (decrease) in operating liabilities:		
Payroll taxes payable	(1,916)	1,567
Liability for agency relationships	914,621	(20,536)
Liability for split interest agreement	(93,295)	38,424
Grants payable	585,839	15,687
Accounts payable	(410,506)	413,428
Net cash provided by operating activities	25,100,095	2,670,695
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>		
Additions to fixed assets	(1,365)	(6,842)
Purchase of interest in unconsolidated non-profit entity	(2,000,000)	-
Investment purchases, net of redemptions	265,487	(1,033,714)
Net cash used by investing activities	(1,735,878)	(1,040,556)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	23,364,217	1,630,139
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5,395,308	3,765,169
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 28,759,525	5,395,308

The accompanying notes are an integral part of this statement.

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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.

Restatement of Net Assets Information

During the current year, management of the Foundation made a careful and deliberate study of all fund balance classifications between unrestricted, temporarily restricted and permanently restricted and made the following determinations. First, management determined that there were no permanently restricted funds due to the variance power granted to the Foundation through gift instruments between the donor and the Foundation. Secondly, there were several fund balances which needed to be reclassified from fund balance equity to a liability as amounts held for others under agency transactions. The following table presents the final results and restatement of net assets resulting from this work effort:

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
<b>Net Assets, as of June 30, 2008 - Previously Reported</b>	\$ 9,435,566	4,644,297	5,001,956	19,081,819
<b>Fund Reclassification of Net Assets</b>	<u>49,579</u>	<u>2,074,866</u>	<u>(5,001,956)</u>	<u>(2,877,511)</u>
<b>Net Assets, as of June 30, 2007 - Restated</b>	<u>\$ 9,485,145</u>	<u>6,719,163</u>	<u>-</u>	<u>16,204,308</u>

The reduction in net assets as of June 30, 2007, in the amount of \$2,877,511 represents the reclassification of fund balance equity as a liability for amounts held for others under agency transactions.

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.

**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.

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Amounts Held for Others Under Agency Transactions

The Foundation accounts for amounts held for others under agency transactions in accordance with Statement of Financial Accounting Standard No. 136, Transfers of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others ("SFAS 136"). This Statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investments of those assets, or both to another entity that is specified by the donor. SFAS 136 specifically requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as "liability for agency relationships."

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, 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and no contributed services have been recorded.

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

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.

Reclassification

Certain amounts in the 2007 financial statements have been restated to conform to the classifications adopted in 2008.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**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, 2008 and 2007 are summarized below:

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2 - INVESTMENTS - CONTINUED:**

<u>June 30, 2008</u>	<u>Cost/ Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity mutual funds	\$ 7,364,856	6,582,752	(782,104)
Common Equity Securities	645	62	(583)
Government bonds	3,958,113	4,050,051	91,938
Corporate bonds	<u>1,187,955</u>	<u>1,184,984</u>	<u>(2,971)</u>
	<u>\$ 12,511,569</u>	<u>11,817,849</u>	<u>(693,720)</u>

<u>June 30, 2007</u>	<u>Cost/ Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
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>\$ 12,200,247</u>	<u>12,878,088</u>	<u>677,841</u>

**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

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3 - CHARITABLE LEAD TRUST - CONTINUED:**

discount. The Foundation recognized amortization of the discount on the estimated present value of future benefits of \$5,075 and \$5,382 for the years ending June 30, 2008 and 2007, 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, 2008 and 2007 in the amount of \$715,769 and \$811,009 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, 2008 and 2007 in the amount of \$983,655 and \$1,170,000, 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 \$28,075,685 at June 30, 2008 and \$5,032,000 at June 30, 2007.

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 those changes could materially affect the amounts reported in the statements of financial position.

**NOTE 6 - PROPERTY AND EQUIPMENT**

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

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 6 - PROPERTY AND EQUIPMENT - CONTINUED:**

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, 2008 and 2007 was \$13,577 and \$21,163, respectively. A summary of fixed assets follows:

	<u>2008</u>	<u>2007</u>
Computer equipment	\$ 43,614	42,249
Software	20,000	20,000
Office furniture	<u>1,506</u>	<u>1,506</u>
	65,120	63,755
Less accumulated depreciation	<u>40,825</u>	<u>27,249</u>
	<u>\$ 24,295</u>	<u>36,506</u>

**NOTE 7 - LIABILITY FOR AGENCY RELATIONSHIPS**

The Foundation maintained agency funds for the years ended June 30, 2008 and 2007 which are reported on the Statement of Financial Position as a liability. Agency funds are categorized by the Foundation into the following fund types:

<u>Fund Type</u>	<u>2008</u>	<u>2007</u>
Hurricane	\$ 144,123	341,371
Healthcare	1,537,261	1,580,214
Field of Interest	71,001	75,284
Scholarship and education programs	501,065	531,324
Organization's operation	1,250,556	-
Low income programs	<u>334,270</u>	<u>395,462</u>
	<u>\$3,838,276</u>	<u>2,923,655</u>

**GULF COAST COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 8 – INVESTMENT IN UNCONSOLIDATED NON-PROFIT ENTITY**

During the current fiscal year, the Foundation acquired an equity interest of 30% in the Gulf Coast Non-Profit Center, Inc. for \$2,000,000. It is the policy of the Foundation to account for this investment under the equity method of accounting. Due to the start up nature of operations for the Non-Profit Center, the Foundation's share of the Non-Profit Center's equity was deemed to be equal to its initial investment of \$2,000,000 as of June 30, 2008.