

COMMUNITY **F**OUNDATION OF **B**ROWARD, INC.

FINANCIAL STATEMENTS

June 30, 2006 and 2005

COMMUNITY FOUNDATION OF BROWARD, INC.
Fort Lauderdale, FL

FINANCIAL STATEMENTS
June 30, 2006 and 2005

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Crowe Chizek and Company LLC
Member Horwath International

350 East Las Olas Boulevard, Suite 1420
Fort Lauderdale, Florida 33301-4216
Tel 954.202.8600
Fax 954.202.8639
www.crowechizek.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Broward, Inc.
Fort Lauderdale, Florida

We have audited the accompanying statement of financial position of Community Foundation of Broward, Inc. as of June 30, 2006 and the related statement 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 audit. The statement of financial position, statement of activities and statement of cash flows of Community Foundation of Broward as of June 30, 2005, was reported on by Madsen Sapp Mena Rodriguez & Co., who combined with Crowe Chizek and Company LLC as of May 1, 2006 and whose report dated September 9, 2005 gave an unqualified opinion for the same reasons described in the following.

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 Community Foundation of Broward, Inc. as of June 30, 2006 and the change 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.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Fort Lauderdale, Florida
September 1, 2006

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 532,321	\$ 619,976
Investments, at market value	64,210,424	58,066,673
Bequests receivable	211,930	175,000
Pledges receivable, no allowance in 2006 and 2005, respectively	192,342	198,322
Land trust receivable	-	425,000
Property and equipment, net of accumulated depreciation and amortization of \$66,970 and \$59,206 in 2006 and 2005, respectively	56,811	65,507
Charitable gift annuities	574,987	627,881
Prepaid expenses and other assets	504,719	497,160
	<u>\$ 66,283,534</u>	<u>\$ 60,675,519</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 73,101	\$ 68,539
Grants payable	704,105	360,145
Liabilities under split-interest agreements	555,182	580,125
Agency transactions payable	9,078,775	8,530,517
	<u>10,411,163</u>	<u>9,539,326</u>
NET ASSETS:		
Unrestricted	55,217,785	50,047,320
Temporarily restricted	654,586	1,088,873
	<u>55,872,371</u>	<u>51,136,193</u>
Total net assets	<u>\$ 66,283,534</u>	<u>\$ 60,675,519</u>
Total liabilities and net assets	<u>\$ 66,283,534</u>	<u>\$ 60,675,519</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2006

	2006		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions and bequests	\$ 3,145,311	\$ 404,272	\$ 3,549,583
Interest and dividend income	1,011,351	26,296	1,037,647
Foundation management fees	763,878	-	763,878
Events and program revenue net of expenses of \$1,636	14,634	-	14,634
Net realized and unrealized gains on investments	5,003,480	-	5,003,480
Net assets released from restrictions	804,103	(804,103)	-
Total support and revenue	<u>10,742,757</u>	<u>(373,535)</u>	<u>10,369,222</u>
EXPENSES:			
Program expenses	<u>3,785,599</u>	<u>-</u>	<u>3,785,599</u>
General and administrative expenses:			
Administrative expenses	854,663	-	854,663
Investment manager fees	222,547	-	222,547
Foundation management fees	709,483	-	709,483
Total general and administrative expenses	<u>1,786,693</u>	<u>-</u>	<u>1,786,693</u>
Total expenses	<u>5,572,292</u>	<u>-</u>	<u>5,572,292</u>
Change in value of split-interest agreements	<u>-</u>	<u>(60,752)</u>	<u>(60,752)</u>
CHANGE IN NET ASSETS	5,170,465	(434,287)	4,736,178
NET ASSETS, BEGINNING OF YEAR	<u>50,047,320</u>	<u>1,088,873</u>	<u>51,136,193</u>
NET ASSETS, END OF YEAR	<u>\$ 55,217,785</u>	<u>\$ 654,586</u>	<u>\$ 55,872,371</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2005

	2005		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions and bequests	\$ 12,662,457	\$ 1,120,709	\$ 13,783,166
Interest and dividend income	648,935	22,291	671,226
Foundation management fees	612,776	-	612,776
Events and program revenue net of expenses of \$5,264	13,831	-	13,831
Net realized and unrealized gains on investments	4,514,550	-	4,514,550
Total support and revenue	<u>18,452,549</u>	<u>1,143,000</u>	<u>19,595,549</u>
EXPENSES:			
Program expenses	<u>2,692,010</u>	<u>90,846</u>	<u>2,782,856</u>
General and administrative expenses:			
Administrative expenses	838,832	286	839,118
Investment manager fees	144,502	-	144,502
Foundation management fees	<u>570,274</u>	<u>-</u>	<u>570,274</u>
Total general and administrative expenses	<u>1,553,608</u>	<u>286</u>	<u>1,553,894</u>
Total expenses	<u>4,245,618</u>	<u>91,132</u>	<u>4,336,750</u>
Change in value of split-interest agreements	<u>-</u>	<u>(59,907)</u>	<u>(59,907)</u>
CHANGE IN NET ASSETS	14,206,931	991,961	15,198,892
NET ASSETS, BEGINNING OF YEAR	<u>35,840,389</u>	<u>96,912</u>	<u>35,937,301</u>
NET ASSETS, END OF YEAR	<u>\$ 50,047,320</u>	<u>\$ 1,088,873</u>	<u>\$ 51,136,193</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	2006	2005
Change in net assets	<u>\$ 4,736,178</u>	<u>\$ 15,198,892</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,808	11,983
Loss on disposal of property and equipment	-	49
Net realized and unrealized gains on investments	(5,003,478)	(4,514,550)
(Increase) decrease in assets:		
Bequests receivable	(36,930)	(15,000)
Pledges receivable	5,980	(34,452)
Land trust receivable	425,000	(425,000)
Charitable gift annuities	52,894	(11,239)
Prepaid expenses and other assets	(7,559)	158,601
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	4,562	20,970
Grants payable	343,960	113,933
Liabilities under split-interest agreements	(24,943)	(103,663)
Refundable deposit	-	(1,266,667)
Total adjustments	<u>(4,229,706)</u>	<u>(6,065,035)</u>
Net cash provided by operating activities	<u>506,472</u>	<u>9,133,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(11,296,195)	(18,831,604)
Proceeds from the sale of investments	10,982,479	9,868,838
Purchase of property and equipment	(2,112)	(9,856)
Proceeds from sale of property and equipment	-	1,165
Net cash used in investing activities	<u>(315,828)</u>	<u>(8,971,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in agency transactions payable	<u>(278,299)</u>	<u>(279,326)</u>
Net cash used in financing activities	(278,299)	(279,326)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(87,655)	(116,926)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>619,976</u>	<u>736,902</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 532,321</u>	<u>\$ 619,976</u>

SUPPLEMENTAL DISCLOSURES FOR NONCASH FINANCING ACTIVITIES:

Investment gains related to agency transactions were approximately \$826,000 and \$915,000 for the years ended June 30, 2006 and 2005, respectively.

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 1. General

Organization and Operations:

We were incorporated on December 17, 1984, under the laws of the State of Florida as a not-for-profit organization and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and as a publicly supported charitable organization under Sections 509(a)(1) and 170(b)(1)(A)(vi). In addition, we are also exempt from state income taxes.

We operate two programs. The first program consists of soliciting, managing and distributing funds for charitable, scientific, educational, public and cultural purposes primarily in Broward County, Florida. We solicit contributions primarily from individuals, foundations and non-profit organizations, in Broward County. The second program is the Nonprofit Resource Center, which provides leadership, management, and technical training to nonprofit volunteers and staff as a general resource on issues facing the nonprofit sector.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation:

We have prepared these financial statements using the accrual basis of accounting under the guidance of Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, and SFAS No. 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*.

Net assets:

We are required, under SFAS No. 117, to report information regarding our financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are defined as follows:

Unrestricted net assets -- net assets available without restrictions imposed by the donor.

Temporarily restricted net assets -- net assets subject to restrictions imposed by the donor. The conditions of these restrictions may or may not be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets -- net assets subject to donor imposed restrictions that we maintain the principal of the contributions in perpetuity.

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COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 2. Summary of Significant Accounting Policies (continued)

Our bylaws include a variance provision that allows our Board of Directors to vary the use of contributions received. Based on this variance provision, a substantial portion of our net assets are shown as unrestricted.

Agency Transactions:

SFAS No. 136, requires us to recognize the fair value of funds received by us that we, in turn, pass to agencies specified by the contributors as a liability to the specified beneficiary until we disburse the funds. We have recorded the funds received and the related net investment income for agency transactions as corresponding assets and liabilities and we have not included these transactions in unrestricted net assets.

Use of Estimates in the Preparation of Financial Statements:

We make estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

Bequests and Grants:

We record bequests when all requirements for the transfer of the assets to us have been met and appropriate court orders have been issued. Grants are recorded in our financial statements upon the approval of our Board of Directors.

Cash and Cash Equivalents:

We define all highly liquid investments with maturity dates of three months or less as cash and cash equivalents.

Investments:

Our investments are in the custody of brokerage and investment firms who manage them in accordance with policies set by our Board of Directors.

Investments in common stocks are carried at market value, as quoted on major stock exchanges. U.S. Government and Agency obligations and corporate bonds are carried at quoted market prices. Investments in equity and fixed income funds and real estate investment trusts are valued at quoted values by the issuers. Offshore investment funds and global bond funds are valued at their net asset value, for further details see Note 4. Investments received as contributions are recorded at the quoted market value or estimated fair value at the date of receipt. Realized and unrealized investment gains and losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or market value at the statement of financial position date. These gains and losses and other investment income are reflected in the statement of activities as unrestricted.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 2. Summary of Significant Accounting Policies (continued)

The Investment Committee of our Board of Directors evaluates the spending rate of our grants periodically in light of total estimated long-term results from investments, fees, expenses and the effects of inflation. For the years ended June 30, 2006 and 2005, our Board set the grants spending rate at 5% of the rolling twelve-quarter average fair value of the applicable funds.

We pool a number of our funds in order to obtain greater investment advantage and more efficient administration. The objective of investment management of all funds is to maximize the growth of the fund assets consistent with minimizing exposure to risks of capital losses and attainment of our desired level of grantmaking. Our normal investment policy is to invest initial contributions and subsequent additions to all pooled funds in equity, fixed income and other assets based on an allocation determined by the Investment Committee and approved by our Board of Directors. We allocate income and gain or loss from pooled investments based on the ratio of the previous month's share of each fund's fair value to the total pooled investments.

Property and Equipment:

We record property and equipment at cost and capitalize assets whose cost is \$1,000 or more. We use the straight-line method of depreciation, based upon the estimated useful lives of the various classes of depreciable assets as follows:

Furniture and fixtures	15 years
Office equipment	5 years
Leasehold improvements	10 years

Our depreciation and amortization expense was \$10,808 for the year ended June 30, 2006 and \$11,983 for the year ended June 30, 2005.

Membership Dues:

We record membership dues of the Ambassadors of the Foundation as unrestricted contributions when collectibility is assured.

Foundation Management Fees:

The Foundation assesses an annual administrative charge on fair market value of invested funds which was 1.5% for 2006 and 2005. The Foundation also assesses an administrative charge equal to .5% for 2006 and 2005 on pass-through funds. The administrative charge is used to support the operations of the Foundation. Administrative charges amounted to \$764,000 and \$613,000 for the years ended June 30, 2006 and 2005.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 2. Summary of Significant Accounting Policies (continued)

Contributed Facilities and Services:

A number of unpaid volunteers have made significant contributions of their time to develop and continue our programs. We do not reflect the value of these services in the accompanying financial statements since it is not susceptible to objective measurement and valuation. For the year ended June 30, 2006 we recognized approximately \$400 of contributed materials and professional services as support and expense. For the year ended June 30, 2005 we recognized approximately \$37,000 of contributed materials and professional services as support and expense.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation. During 2006, a specific reclassification was made to transfer the balance of pledges receivable, bequests receivable, land trust receivable, and charitable gift annuities from unrestricted to temporarily restricted net assets, since these assets are restricted by time. The reclassification has been made on the Statement of Activities for all years presented in the financial statements.

Note 3. Credit Risk and Concentrations

We maintain cash accounts at a South Florida financial institution. At times, the balances may be in excess of the FDIC insured limit; however, we have not experienced any losses and believe we are not exposed to any significant credit risk on our cash and cash equivalents.

As of June 30, 2006, approximately 80% of our pledges receivable were from one foundation and one non-profit organization. The bequests receivable were due from three estates.

As of June 30, 2005, 10% of our pledges receivable were from one individual, approximately 73% were from one foundation and one non-profit organization. The bequests receivable were due from one estate. As of June 30, 2005, the entire amount recorded in land trust receivable was due from one donor.

For the years ended June 30, 2006 and 2005, 35% of the contributions and bequests were received from two donors.

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COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 4. Investments and Investment Return

As of June 30, 2006 and 2005, our investments consisted of the following:

	<u>2006</u>	<u>2005</u>
	Fair Value	Fair Value
Equities/Equity Funds	\$ 35,496,092	\$ 33,052,881
U.S. Government and Agency Obligations	6,601,084	6,072,154
Corporate Bonds / Fixed Income Funds	5,138,970	4,356,372
Offshore Investment Funds	6,095,529	5,051,848
Onshore Investment Fund	297,256	72,938
Real Estate Investment Trusts	3,134,064	2,819,857
Global Bond Fund	2,808,346	2,473,493
Goldman Sachs IDX	1,203,950	-
Money Market Funds	<u>3,435,133</u>	<u>4,167,130</u>
Total	<u>\$ 64,210,424</u>	<u>\$ 58,066,673</u>

Investments consist of mutual funds, alternative investments, and common trust funds. Alternative investments consist of private equity funds and hedge funds. Mutual funds and common trust funds are carried at fair values, which are equal to quoted prices the last day of the fiscal year. The estimated fair value of the alternative investments is based on valuations provided by the external investment managers as of the date of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and securities distributions, and for hedge funds, additional investments gains and losses on the underlying securities, through June 30, 2006. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 5. Pledges Receivable

We record unconditional promises to give as pledges receivable. These pledges receivable are recorded at fair value at the date of the gift, less an allowance for uncollectible pledges, if deemed necessary, and are discounted to the present value of their expected future cash flows. The allowance for uncollectible pledges is based on our prior collection history and specific review of all pledges. Pledges receivable are summarized as of June 30, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 184,968	\$ 171,981
Receivable in one to five years	10,016	30,500
	<u>194,984</u>	<u>202,481</u>
Less discount to net present value	<u>2,642</u>	<u>4,159</u>
	<u>\$ 192,342</u>	<u>\$ 198,322</u>

We have discounted the pledges receivable using a 5.00% rate for the years ended June 30, 2006 and 2005, respectively.

Note 6. Property and Equipment

At June 30, 2006 and 2005 our property and equipment consists of the following:

	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$ 60,475	\$ 60,475
Office equipment	45,078	46,010
Leasehold improvements	18,228	18,228
	<u>123,781</u>	<u>124,713</u>
Less accumulated depreciation and amortization	<u>66,970</u>	<u>59,206</u>
Property and equipment, net	<u>\$ 56,811</u>	<u>\$ 65,507</u>

Note 7. Grants Payable

We have made unconditional promises to provide funding to other organizations as of June 30, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Payable in less than one year	\$ 460,605	\$ 275,895
Payable in one to five years	243,500	84,250
	<u>\$ 704,105</u>	<u>\$ 360,145</u>

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 8. Agency Transactions

Agency transactions or pass-through transactions are transfers of assets from contributors to us, which we in turn transfer to specific beneficiaries designated by the contributors. We have no discretion in distributing these assets.

Additionally, we receive endowment funds from not-for-profit organizations to be held for their benefit. These funds are categorized as agency transactions if the not-for-profit organization retains the right to remove the funds.

Agency transactions during the year ended June 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Agency transactions payable, beginning of year	\$ 8,530,517	\$ 7,895,088
Amounts received on behalf of others	1,950	1,288
Earnings allocated to agency accounts	998,134	1,033,119
Investment management fees	(36,835)	(27,158)
Amounts returned to agencies	(359,497)	(328,238)
Management fees earned by the Foundation	<u>(55,494)</u>	<u>(43,582)</u>
Agency transactions payable, end of year	<u>\$ 9,078,775</u>	<u>\$ 8,530,517</u>

As we discussed in Note 2, funds received and related net investment income for agency transactions are recorded as corresponding assets and liabilities and are not included in unrestricted net assets.

Note 9. Refundable Deposit

During the year ended June 30, 2001, we received an endowment challenge grant of \$2,000,000 that is conditional upon us raising \$6,000,000 in new agency-designated funds. The \$2,000,000 was initially recorded as a refundable deposit in the accompanying statement of financial position as we may have to return the principal if the fundraising challenge is not met. Income earned on the principal may be released to the local agencies participating in the challenge with us.

We, and the participating agencies, had until January 1, 2005 to raise and receive the new funds. If we had raised and received a portion of the \$6,000,000, the donor would have released a proportional amount of the \$2,000,000 principal to us and requested the return of the balance.

During the year ended June 30, 2004, seven out of eighteen participants had raised their portion of the funds, therefore resulting in a reclassification of \$733,333 from the refundable deposit to contributions and bequests revenue.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2006 and 2005

Note 9. Refundable Deposit (continued)

During the year ended June 30, 2005, the remaining eleven participants had raised their portion of the funds, therefore resulting in a reclassification of \$1,266,667 from the refundable deposit to contributions and bequests revenue.

Note 10. Commitments

During our fiscal year ended June 30, 2002 we entered into a ten-year lease agreement for office space. The lease payment during fiscal year 2006 was \$9,987 per month and during fiscal year 2005 was \$9,697 per month. The lease agreement contains a 3% escalation clause and two successive renewal options of 60 months each at fair market value at the time of renewal.

Rent expense for the year ended June 30, 2006 was approximately \$120,500 and for the year ended June 30, 2005 was approximately \$115,500.

We are presently committed to minimum lease payments under the terms of the above operating lease as follows:

<u>Year Ending June 30</u>	<u>Rent Payments</u>
2007	\$ 121,651
2008	125,317
2009	129,085
2010	132,956
2011	136,929
Thereafter	69,468
Total	<u>\$ 715,406</u>

During the year ending June 30, 2005, the Foundation entered into a commitment of \$750,000 with an investment advisor. The commitment calls for funds to be paid as the underlying managers need capital to fund their investments. During the year ended June 30, 2006 and 2005, the Foundation made payments to the fund that totaled \$112,500 and \$75,000, respectively. The investment advisor anticipates it will take between three to five years to fully fund the commitment.

Note 11. Liabilities Under Split-Interest Agreements

Split-interest agreements are arrangements where a donor gives an investment to us and we pay a beneficiary selected by the donor an annual amount as specified by the terms of the agreement. Examples of split-interest agreements are charitable remainder trusts and charitable gift annuities. We record the liability due to the beneficiaries of charitable remainder trusts and charitable gift annuities at net present value using discount rates determined by our investment managers based upon actuarial tables, which this year ranged from 4.2% to 5.6%.

(Continued)

Note 11. Liabilities Under Split-Interest Agreements (continued)

As of June 30, 2006, we recorded approximately \$795,000 in assets held under split-interest agreements, of which approximately \$575,000 is recorded as charitable gift annuities and approximately \$220,000 is recorded as prepaid expenses and other assets. In addition, we recognized approximately \$26,000 in contribution revenue from split-interest agreements during the fiscal year ended June 30, 2006.

As of June 30, 2005, we recorded approximately \$858,000 in assets held under split-interest agreements, of which approximately \$628,000 is recorded as charitable gift annuities and approximately \$230,000 is recorded as prepaid expenses and other assets. In addition, we recognized approximately \$23,000 in expense from split-interest agreements during the fiscal year ended June 30, 2005.

The state of Florida requires that we have and maintain assets equal to at least 110% of the sum of the reserves on outstanding gift annuity agreements in order to collateralize the charitable gift annuities. Reserves are calculated as the net present value of future guaranteed payments to beneficiaries using the same discount rates noted above. We are required to segregate these assets as separate and distinct funds and not use these assets for any purpose other than the annuity benefits. In addition, the state also requires us to meet investment guidelines for the annuity.

Note 12. Retirement Plan

We adopted a 401(k) profit sharing plan as of January 1, 2002, to which our employees may make pre-tax contributions subject to limits imposed by the Internal Revenue Service. We make a matching contribution at our discretion; the matching rate during the years ended June 30, 2006 and 2005 was up to 3% of our employees' salary. Our employees must complete one year of service to be eligible for matching funds. Total expense for the year ended June 30, 2006 was approximately \$14,000 and for the year ended June 30, 2005 was approximately \$14,000.