

COMMUNITY FOUNDATION OF BROWARD, INC.

FINANCIAL STATEMENTS

June 30, 2007 and 2006

COMMUNITY FOUNDATION OF BROWARD, INC.
Fort Lauderdale, FL

FINANCIAL STATEMENTS
June 30, 2007 and 2006

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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, 2007 and 2006 and the related statement of activities and cash flows for the years 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.

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 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 audits 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, 2007 and 2006 and the change in its net assets and its cash flows for the years 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 11, 2007

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 452,723	\$ 532,321
Investments, at market value	75,436,584	64,210,424
Bequests receivable	4,420,000	211,930
Pledges receivable, no allowance in 2007 and 2006, respectively	169,543	192,342
Property and equipment, net of accumulated depreciation and amortization of \$77,460 and \$66,970 in 2006 and 2005, respectively	46,321	56,811
Charitable gift annuities	615,207	574,987
Prepaid expenses and other assets	<u>600,843</u>	<u>504,719</u>
Total assets	<u>\$ 81,741,221</u>	<u>\$ 66,283,534</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 84,993	\$ 73,101
Grants payable	1,379,504	704,105
Liabilities under split-interest agreements	606,800	555,182
Agency transactions payable	<u>9,969,153</u>	<u>9,078,775</u>
Total liabilities	<u>12,040,450</u>	<u>10,411,163</u>
NET ASSETS:		
Unrestricted	64,883,861	55,217,785
Temporarily restricted	<u>4,816,910</u>	<u>654,586</u>
Total net assets	<u>69,700,771</u>	<u>55,872,371</u>
Total liabilities and net assets	<u>\$ 81,741,221</u>	<u>\$ 66,283,534</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2007

	2007		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions and bequests	\$ 5,313,564	\$ 4,589,543	\$ 9,903,107
Net realized and unrealized gains on investments, net	8,283,032	-	8,283,032
Interest and dividend income, net	1,070,994	67,617	1,138,611
Other revenue	79,966	-	79,966
Net assets released from restrictions	430,568	(430,568)	-
Total support and revenue	<u>15,178,124</u>	<u>4,226,592</u>	<u>19,404,716</u>
EXPENSES:			
Program expenses	4,721,796	-	4,721,796
General and administrative expenses	421,589	-	421,589
Fundraising expenses	368,663	-	368,663
Total expenses	<u>5,512,048</u>	<u>-</u>	<u>5,512,048</u>
Change in value of split-interest agreements	<u>-</u>	<u>(64,268)</u>	<u>(64,268)</u>
CHANGE IN NET ASSETS	9,666,076	4,162,324	13,828,400
NET ASSETS, BEGINNING OF YEAR	<u>55,217,785</u>	<u>654,586</u>	<u>55,872,371</u>
NET ASSETS, END OF YEAR	<u>\$ 64,883,861</u>	<u>\$ 4,816,910</u>	<u>\$ 69,700,771</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
Net realized and unrealized gains on investments, net	5,003,480	-	5,003,480
Interest and dividend income, net	788,804	26,296	815,100
Other revenue	70,665	-	70,665
Net assets released from restrictions	804,103	(804,103)	-
Total support and revenue	<u>9,812,363</u>	<u>(373,535)</u>	<u>9,438,828</u>
EXPENSES:			
Program expenses	4,025,375	-	4,025,375
General and administrative expenses	383,450	-	383,450
Fundraising expenses	233,073	-	233,073
Total expenses	<u>4,641,898</u>	<u>-</u>	<u>4,641,898</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 CASH FLOWS
Year Ended June 30, 2007 and 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 13,828,400	\$ 4,736,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,490	10,808
Net realized and unrealized gains on investments	(8,283,032)	(5,003,480)
(Increase) decrease in assets:		
Bequests receivable	(4,208,070)	(36,930)
Pledges receivable	22,799	5,980
Land trust receivable	-	425,000
Charitable gift annuities	(40,220)	52,894
Prepaid expenses and other assets	(96,124)	(7,557)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,890)	4,562
Agency transactions payable	(373,509)	(278,299)
Grants payable	675,399	343,960
Liabilities under split-interest agreements	51,618	(24,943)
Total adjustments	<u>(12,252,539)</u>	<u>(4,508,005)</u>
Net cash provided by operating activities	<u>1,575,861</u>	<u>228,173</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(15,378,812)	(11,296,195)
Proceeds from the sale of investments	13,723,353	10,982,479
Purchase of property and equipment	<u>-</u>	<u>(2,112)</u>
Net cash used in investing activities	<u>(1,655,459)</u>	<u>(315,828)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,598)	(87,655)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>532,321</u>	<u>619,976</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 452,723</u>	<u>\$ 532,321</u>

SUPPLEMENTAL DISCLOSURES FOR NONCASH FINANCING ACTIVITIES:

Investment gains related to agency transactions were approximately \$1,264,000 and \$826,000 for the years ended June 30, 2007 and 2006, respectively.

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006

Note 1. General

Organization and Operations:

The Community Foundation of Broward, Inc. (the "Foundation") was incorporated on December 17, 1984, under the laws of the State of Florida as a not-for-profit organization and is 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, the Foundation is also exempt from state income taxes.

The Foundation operates 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. The Foundation solicits 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:

The financial statements have been prepared 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:

The Foundation is required, under SFAS No. 117, to report information regarding their 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 the Foundation maintains the principal of the contributions in perpetuity. The Foundation has no permanently restricted assets as of June 30, 2007 and 2006.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006

Note 2. Summary of Significant Accounting Policies (Continued)

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

Agency Transactions:

SFAS No. 136 requires the recognition of the fair value of funds received by the Foundation that, in turn, are passed to agencies specified by the contributors as a liability to the specified beneficiary until disbursement of the funds. These funds are categorized as agency transactions if the contributing organization retains the right to remove the funds. The Foundation has recorded the funds received and the related net investment income for agency transactions as corresponding assets and liabilities and has not included these transactions in unrestricted net assets.

Use of Estimates in the Preparation of Financial Statements:

The Foundation makes 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:

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

Cash and Cash Equivalents:

The Foundation defines all highly liquid investments with maturity dates of three months or less as cash and cash equivalents.

Investments:

Investments are in the custody of brokerage and investment firms who manage them in accordance with policies set by the 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, 2007 and 2006

Note 2. Summary of Significant Accounting Policies (Continued)

The Investment Committee of the Board of Directors evaluates the spending rate of 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, 2007 and 2006, the Board set the grant spending rate at 5% of the rolling twelve-quarter average fair value of the applicable funds.

The Foundation pools a number of 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 the desired level of grantmaking. The Foundation's 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 the Board of Directors. The Foundation allocates 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:

The Foundation records property and equipment at cost and capitalize assets whose cost is \$1,000 or more, using 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

Depreciation and amortization expense was \$10,490 for the year ended June 30, 2007 and \$10,808 for the year ended June 30, 2006.

Membership Dues:

The Foundation records 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 ranging from 1.5% to .5% of fair market value of invested funds based on incremental increases in the fund balance for 2007 and 2006. The Foundation also assesses an administrative charge equal to .5% on pass-through funds and 1% on funds received from estates for 2007 and 2006. The administrative charge is used to support the operations of the Foundation. Administrative charges amounted to \$880,000 and \$764,000 for the years ended June 30, 2007 and 2006. These amounts are included in other revenue in the statement of activities for the years ending June 30, 2007 and 2006 and are shown net of the portion that represents the management fee expense to the Foundation.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006

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 programs. The Foundation does 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, 2007, the Foundation recognized approximately \$12,000 of contributed materials and professional services as support and expense. For the year ended June 30, 2006, the Foundation recognized approximately \$400 of contributed materials and professional services as support and expense.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to program, general and administrative and fundraising expense.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation. During 2007, specific reclassification was made to transfer fundraising expense out of general and administrative expense and present separately on the Statement of Activities for all the years presented in the financial statements. Another reclassification was made to net investment manager fee expense with interest and dividend income and to net Foundation management fee expense with Foundation management fee revenue. These reclassification have been made on the Statement of Activities for all years presented in the financial statements.

Note 3. Credit Risk and Concentrations

The Foundation maintains cash accounts at a South Florida financial institution. At times, the balances may be in excess of the FDIC insured limit; however, the Foundation has not experienced any losses and believes they are not exposed to any significant credit risk on cash and cash equivalents.

As of June 30, 2007, approximately 91% of pledges receivable were from one foundation and one non-profit organization. The bequests receivable were due from two estates of which one represented 93%. As of June 30, 2006, approximately 80% of pledges receivable were from one foundation and one non-profit organization. The bequests receivable were due from three estates.

For the years ended June 30, 2007, 51% of the contributions and bequests were received from two donors. For the year ended June 30, 2006, 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, 2007 and 2006

Note 4. Investments and Investment Return

As of June 30, 2007 and 2006, investments consisted of the following:

	<u>2007</u>	<u>2006</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Equities/Equity Funds	\$ 40,409,634	\$ 35,496,092
U.S. Government and Agency Obligations	10,806,463	6,601,084
Corporate Bonds / Fixed Income Funds	783,399	5,138,970
Offshore Investment Funds	9,418,809	6,095,529
Onshore Investment Fund	536,310	297,256
Real Estate Investment Trusts	1,882,886	3,134,064
Global Bond Fund	2,795,615	2,808,346
Goldman Sachs IDX	2,355,396	1,203,950
Money Market Funds	<u>6,448,072</u>	<u>3,435,133</u>
Total	<u>\$ 75,436,584</u>	<u>\$ 64,210,424</u>

Investments consist of mutual funds, alternative investments, and common trust funds. Alternative investments consist of 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, 2007. 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, 2007 and 2006

Note 4. Investments and Investment Return (Continued)

The Foundation's investment advisor has reported that total investment expenses, including those of mutual funds, were approximately "85 basis points" (.85%) and "76 basis points" (.76%) of the total fair value of investments for the 2006 and 2005 year end, respectively. The statement of activities for June 30, 2007 and 2006 reflects interest and dividend income and realized and unrealized gains net of investment manager fees of approximately \$590,000 and \$449,000, respectively.

Note 5. Pledges Receivable

The Foundation records 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 prior collection history and specific review of all pledges. Pledges receivable are summarized as of June 30, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 169,543	\$ 184,968
Receivable in one to five years	-	10,016
	<u>169,543</u>	<u>194,984</u>
Less discount to net present value	-	2,642
	<u>\$ 169,543</u>	<u>\$ 192,342</u>

The Foundation discounted the pledges receivable using a 5.00% rate for the year ended June 30, 2006.

Note 6. Property and Equipment

At June 30, 2007 and 2006, property and equipment consists of the following:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 60,475	\$ 60,475
Office equipment	45,078	45,078
Leasehold improvements	18,228	18,228
	<u>123,781</u>	<u>123,781</u>
Less accumulated depreciation and amortization	77,460	66,970
Property and equipment, net	<u>\$ 46,321</u>	<u>\$ 56,811</u>

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006

Note 7. Grants Payable

The Foundation has made unconditional promises to provide funding to other organizations as of June 30, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Payable in less than one year	\$ 1,177,421	\$ 460,605
Payable in one to five years	202,083	243,500
	<u>\$ 1,379,504</u>	<u>\$ 704,105</u>

Note 8. Agency Transactions

Agency transactions or pass-through transactions are transfers of assets from contributors to the Foundation, which the Foundation in turn transfers to specific beneficiaries designated by the contributors. The Foundation has no discretion in distributing these assets.

Additionally, the Foundation receives 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, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Agency transactions payable, beginning of year	\$ 9,078,775	\$ 8,530,517
Amounts received on behalf of others	102,555	1,950
Earnings allocated to agency accounts	1,465,119	998,134
Investment management fees	(35,941)	(36,835)
Amounts returned to agencies	(574,135)	(359,497)
Management fees earned by the Foundation	<u>(67,220)</u>	<u>(55,494)</u>
Agency transactions payable, end of year	<u>\$ 9,969,153</u>	<u>\$ 9,078,775</u>

As 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.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006

Note 9. Commitments

During the fiscal year ended June 30, 2002, the Foundation entered into a ten-year lease agreement for office space. The lease payment during fiscal year 2007 was \$10,288 per month and during fiscal year 2006 was \$9,987 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, 2007 was approximately \$132,600 and for the year ended June 30, 2006 was approximately \$120,500.

The Foundation is 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>
2008	\$ 125,317
2009	129,085
2010	132,956
2011	136,929
2012	69,468
Total	<u>\$ 593,755</u>

During the year ending June 30, 2005, the Foundation entered into a commitment of \$750,000 with an investment manager. The commitment calls for future payments to be made as the underlying managers need capital to fund their investments. During the year ended June 30, 2007 and 2006, the Foundation made payments totaling \$214,500 and \$112,500, respectively. The investment manager anticipates it will take between three to five years to fully fund the commitment. The Foundation's remaining commitment is \$310,500 and \$525,000 at June 30, 2007 and 2006, respectively.

During the year ending June 30, 2007, the Foundation entered into a second commitment of \$500,000 with the same investment manager on a second investment. During the year ended June 30, 2007, the Foundation made payments to the second fund totaling \$82,500 towards this commitment. The Foundation's remaining commitment is \$417,500 at June 30, 2007.

(Continued)

COMMUNITY FOUNDATION OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2007 and 2006

Note 10. Liabilities Under Split-Interest Agreements

Split-interest agreements are arrangements where a donor gives an investment to the Foundation and the Foundation pays 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. The Foundation records the liability due to the beneficiaries of charitable remainder trusts and charitable gift annuities at net present value using discount rates determined by investment managers based upon actuarial tables, which this year ranged from 4.2% to 5.6%.

As of June 30, 2007, the Foundation recorded approximately \$857,000 in assets held under split-interest agreements, of which approximately \$615,000 is recorded as charitable gift annuities and approximately \$242,000 is recorded as prepaid expenses and other assets. In addition, the Foundation recognized approximately \$68,000 in contribution revenue from split-interest agreements during the fiscal year ended June 30, 2007.

As of June 30, 2006, the Foundation 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, the Foundation recognized approximately \$26,000 in contribution revenue from split-interest agreements during the fiscal year ended June 30, 2006.

The state of Florida requires that the Foundation has and maintains 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. The Foundation is 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 the Foundation to meet investment guidelines for the annuity.

Note 11. Retirement Plan

The Foundation adopted a 401(k) profit sharing plan as of January 1, 2002, to which employees may make pre-tax contributions subject to limits imposed by the Internal Revenue Service. The Foundation makes a matching contribution at its discretion; the matching rate during the years ended June 30, 2007 and 2006 was up to 3% of employees' salary. Employees must complete one year of service to be eligible for matching funds. Total expense for the year ended June 30, 2007 was approximately \$15,000 and for the year ended June 30, 2006 was approximately \$14,000.