

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

FINANCIAL REPORT

June 30, 2007

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William G. Koch
& Associates

Certified Public Accountants

2650 Westview Drive, Wyomissing, PA 19610

610.678.9700 • Fax 610.678.9224

E-mail wgk@wgkcpa.com

<http://www.wgkcpa.com>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Berks County Community Foundation, Inc.
Reading, Pennsylvania

We have audited the accompanying combined statements of financial position of Berks County Community Foundation, Inc. (a nonprofit organization) and Supporting Organizations as of June 30, 2007 and 2006, and the related combined statements of activities, functional expenses 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 provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Berks County Community Foundation, Inc. and Supporting Organizations as of June 30, 2007 and 2006 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

William G. Koch & Associates

September 21, 2007

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 2,260,270	\$ 3,079,365
Accounts receivable	17,672	6,562
Contributions receivable, net	613,253	726,968
Property and equipment, net of accumulated depreciation	22,757	32,662
Construction in progress	109,257	-
Land	232,154	-
Loans and interest receivable, net of allowance for loan losses	2,660,245	1,403,116
Mortgages receivable, net of allowance for loan losses	251,691	271,016
Investments, at market value	<u>41,284,959</u>	<u>33,742,508</u>
 Total assets	 <u>\$ 47,452,258</u>	 <u>\$ 39,262,197</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 79,026	\$ 37,696
Grants payable, net	2,306,855	2,024,562
Accrued expenses	24,961	21,451
Note payable	12,692	22,887
Annuity payment liabilities	870,654	884,605
Funds held as agency endowments	341,646	210,438
Refundable advances	174,675	180,900
Escrow deposits	<u>1,486</u>	<u>2,745</u>
 Total liabilities	 3,811,995	 3,385,284
 NET ASSETS		
Unrestricted	11,050,951	7,846,571
Temporarily restricted	<u>32,589,312</u>	<u>28,030,342</u>
 Total net assets	 <u>43,640,263</u>	 <u>35,876,913</u>
 Total liabilities and net assets	 <u>\$ 47,452,258</u>	 <u>\$ 39,262,197</u>

See notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 38,240	\$ 5,480,162	\$ 5,518,402
Grants from governmental agencies	-	271,225	271,225
Other revenue and gains			
Investment income	3,447,968	-	3,447,968
Net unrealized gain on investments	-	2,142,920	2,142,920
Other income	13,320	-	13,320
Net assets released from restrictions	<u>3,335,337</u>	<u>(3,335,337)</u>	<u>-</u>
Total revenue and other support	6,834,865	4,558,970	11,393,835
EXPENSES			
Program services	2,916,106	-	2,916,106
General and administrative	331,613	-	331,613
Fundraising	<u>382,766</u>	<u>-</u>	<u>382,766</u>
Total expenses	<u>3,630,485</u>	<u>-</u>	<u>3,630,485</u>
Change in net assets	3,204,380	4,558,970	7,763,350
NET ASSETS AT BEGINNING OF YEAR	<u>7,846,571</u>	<u>28,030,342</u>	<u>35,876,913</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,050,951</u>	<u>\$ 32,589,312</u>	<u>\$ 43,640,263</u>

See notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 139,473	\$ 2,286,994	\$ 2,426,467
Grants from governmental agencies	-	143,091	143,091
Other revenue and gains			
Investment income	1,882,434	-	1,882,434
Net unrealized gain on investments	-	771,646	771,646
Other income	2,600	-	2,600
Net assets released from restrictions	<u>4,402,896</u>	<u>(4,402,896)</u>	<u>-</u>
Total revenue and other support	6,427,403	(1,201,165)	5,226,238
EXPENSES			
Program services	3,947,743	-	3,947,743
General and administrative	321,750	-	321,750
Fundraising	<u>422,796</u>	<u>-</u>	<u>422,796</u>
Total expenses	<u>4,692,289</u>	<u>-</u>	<u>4,692,289</u>
Change in net assets	1,735,114	(1,201,165)	533,949
NET ASSETS AT BEGINNING OF YEAR	<u>6,111,457</u>	<u>29,231,507</u>	<u>35,342,964</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,846,571</u>	<u>\$ 28,030,342</u>	<u>\$ 35,876,913</u>

See notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2007

	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>
Grants to others	\$ 2,627,022	\$ 2,627,022	\$ -	\$ -
Salaries	510,594	199,344	133,008	178,242
Office supplies	13,361	3,741	5,879	3,741
Publicity	93,348	51,563	20,892	20,893
Depreciation and amortization	15,167	4,247	6,673	4,247
Payroll taxes	37,223	14,533	9,696	12,994
Rent	44,771	14,953	14,909	14,909
Cost of real property	11,997	3,959	4,079	3,959
Interest expense	1,627	543	542	542
(Decrease) in loan loss reserve	(288,488)	(288,488)	-	-
Conferences and meetings	67,477	37,180	15,149	15,148
Professional fees	251,768	160,606	42,254	48,908
Employee benefits	35,526	13,870	5,386	16,270
Postage	7,645	2,294	3,134	2,217
Travel and parking	26,522	20,526	2,998	2,998
Special events	91,028	27,308	45,514	18,206
Professional dues and subscriptions	13,695	5,477	4,109	4,109
Telephone	8,207	2,733	2,741	2,733
Insurance	27,818	3,280	3,269	21,269
Equipment maintenance	13,340	4,456	4,442	4,442
Software maintenance	20,837	6,959	6,939	6,939
	<u>\$ 3,630,485</u>	<u>\$ 2,916,106</u>	<u>\$ 331,613</u>	<u>\$ 382,766</u>

See notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2006

	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>
Grants to others	\$ 2,076,916	\$ 2,076,916	\$ -	\$ -
Salaries	482,246	177,493	123,756	180,997
Office supplies	9,178	2,570	4,038	2,570
Publicity	88,961	5,198	5,200	78,563
Depreciation and amortization	17,223	4,823	7,578	4,822
Payroll taxes	35,237	12,969	9,043	13,225
Rent	43,854	14,648	14,603	14,603
Interest expense	4,682	2,805	938	939
Increase in loan loss reserve	1,468,505	1,468,505	-	-
Conferences and meetings	38,807	13,770	12,518	12,519
Professional fees	137,525	64,657	49,386	23,482
Employee benefits	41,746	15,365	6,221	20,160
Postage	9,107	2,732	3,734	2,641
Travel and parking	45,355	32,394	6,480	6,481
Special events	114,837	34,451	57,419	22,967
Professional dues and subscriptions	10,532	1,896	4,318	4,318
Telephone	7,764	2,585	2,594	2,585
Insurance	27,303	3,107	3,098	21,098
Equipment maintenance	12,337	4,121	4,108	4,108
Software maintenance	20,174	6,738	6,718	6,718
	<u>\$ 4,692,289</u>	<u>\$ 3,947,743</u>	<u>\$ 321,750</u>	<u>\$ 422,796</u>

See notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,763,350	\$ 533,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,167	17,223
Loan and mortgage loss reserve	(288,488)	1,468,505
Unrealized (gain) on investments, net	(2,142,920)	(771,646)
Realized (gain) on investments	(2,384,974)	(877,806)
Donated securities included in contributions	(1,997,460)	(531,182)
Donated real estate included in contributions	(159,900)	-
Change in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(11,110)	(4,261)
Contributions receivable, net	113,715	1,167,438
Prepaid expenses	-	2,575
Increase (Decrease) in:		
Accounts payable	41,330	20,827
Grants payable, net	282,293	(304,454)
Accrued expenses	3,510	891
Annuity payment liabilities	(13,951)	164,667
Funds held as agency endowments	131,208	36,637
Refundable advances	<u>(6,225)</u>	<u>116,909</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,345,545	1,040,272
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(45,484,385)	(28,678,643)
Purchase of property and equipment	(5,262)	(3,919)
Purchase of land	(232,154)	-
Investments in development project	(109,257)	-
Proceeds from sale of securities	44,467,288	28,951,017
Loans advanced and interest receivable	(1,501,175)	(1,001,396)
Loan principal and interest receivable payments	531,936	93,995
Proceeds from real estate sales	159,900	-
Mortgage principal received	19,923	17,100
Escrow deposits	<u>(1,259)</u>	<u>(1,449)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(2,154,445)	(623,295)

(Continued)

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments) from line of credit	-	(37,200)
Repayments on loans	<u>(10,195)</u>	<u>(9,523)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(10,195)</u>	<u>(46,723)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(819,095)	370,254
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,079,365</u>	<u>2,709,111</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,260,270</u>	<u>\$ 3,079,365</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 1,627	\$ 4,682

See notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Berks County Community Foundation, Inc. and Supporting Organizations (the Foundation) are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). The Foundation was incorporated in 1994 to develop, manage, and distribute funding to meet existing and changing community needs in Berks County. See Note 2 for discussion of supporting organizations.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions. The Foundation has not received any permanently restricted support.

Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Foundation reports donated marketable securities as contributions at their fair market value at the date of donation, upon which they are immediately converted into cash.

Contributions Receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are reflected at a discount of 3% per year on pledges receivable, and at the stipulated discount rate for charitable remainder trusts. This is done to present the receivables at the estimated present value of future cash flows.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Combined Financial Statements

Supporting organizations under common control of the Berks County Community Foundation are reported as one economic entity with the Foundation. As such, inter-organizational revenue and expenses are eliminated in preparing the combined financial statements.

Cash and Cash Equivalents

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

Investments

The Foundation accounts for investments under Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Investments in convertible preferred stock are reported at their cost basis, which was \$ 250,000 at June 30, 2007 and 2006.

Loans Receivable

Loans extended from the Metropolitan Edison Company Sustainable Energy Fund are reported on the Statements of Financial Position at the outstanding principal adjusted for any charge-offs. Management intends to and has the ability to hold these loans for the foreseeable future or until maturity or payoff. Interest income is recognized when earned. See Note 5.

Mortgage Receivable

Loans extended from Berks County Community Foundation Properties, Inc. are reported on the Statements of Financial Position at the outstanding principal balance adjusted for any charge-offs. Management intends to and has the ability to hold these loans for the foreseeable future or until maturity or payoff. Interest income is recognized when earned. See Note 6.

Property, Equipment, Depreciation and Amortization

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation. Donations of depreciable assets in excess of \$ 5,000 are subject to appraisal. Property and equipment acquisitions are capitalized if they are in excess of \$ 500. Items that are less than the capitalization threshold are expensed in the year acquired. Donations of long-lived assets received without stipulations as to use are classified as

BERKS COUNTY COMMUNITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

unrestricted contributions in the year received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Computer software	3 years
Computers and office equipment	3 - 5 years
Furniture and fixtures	7 years

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease.

Refundable Advances

Deferred revenue is recorded as refundable advances in instances where there are criteria that must be met or funds will be returned to the grantor.

Donated Services

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, the Foundation recognizes services requiring specialized skills such as those provided by accountants, attorneys, marketing consultants, and other professionals if the services would need to be purchased if not donated. There were no donated services that met the criteria for recognition for the years ended June 30, 2007 and 2006.

Functional Expense Allocations

Expenses relating to more than one function are allocated to program service, general and administrative, and fundraising costs based on employee time estimates or other appropriate usage factors.

Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

Note 2. Supporting Organizations of Berks County Community Foundation

During the fiscal year ended June 30, 2000, Berks County Community Foundation Properties, Inc. (Properties, Inc.) was formed specifically to accept gifts of real estate and to liquidate them for the benefit of Berks County Community Foundation, Inc. Properties, Inc. is a Pennsylvania nonprofit corporation with 501(c)(3) tax-exempt status for federal income tax purposes. See Note 6 for mortgages receivable that relate to donated real estate. During the fiscal year ended June 30, 2004, Berks County Community

BERKS COUNTY COMMUNITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 2. Supporting Organizations of Berks County Community Foundation (continued)

Foundation Properties II, Inc. was formed as a supporting organization of the Foundation under IRC Section 509(a)(3).

During the fiscal year ended June 30, 2007, property valued at \$ 159,900 was donated to Properties, Inc. On September 29, 2006, Properties, Inc. sold the property that was donated in August 2006 for \$ 159,900.

Boyertown Area Community Trust, Inc. (the Trust) previously transferred the majority of its assets to Berks County Community Foundation, Inc. The Trust exists to capture specific bequests to the Trust. During the fiscal year ended June 30, 2006, the IRS determined that the Trust is a Type 1 supporting organization under IRC Section 509(a)(3).

Community General Hospital Foundation (the Hospital Foundation) became a supporting organization of the Foundation. During the fiscal year ended June 30, 2006, the IRS determined that the Hospital Foundation is a Type 1 supporting organization under IRC section 509(a)(3).

The Trust, Properties, Inc., the Hospital Foundation and the Foundation are under common control. Combined financial statements of these organizations are presented in the Statements of Financial Position, Activities, Functional Expenses and Cash Flows. The components of net assets of the Foundation and Supporting Organizations are as follows:

	2007	2006
NET ASSETS		
Unrestricted		
Berks County Community Foundation, Inc.	\$ 11,043,908	\$ 7,821,212
Berks County Community Foundation Properties, Inc.	7,043	25,359
Total Unrestricted Net Assets	\$ 11,050,951	\$ 7,846,571
Temporarily restricted		
Berks County Community Foundation, Inc.	\$ 32,076,194	\$ 27,580,159
Berks County Community Foundation Properties, Inc.	258,562	257,875
Boyertown Area Community Trust, Inc.	192,308	192,308
Community General Hospital Foundation	62,248	-
Total Temporarily Restricted Net Assets	\$ 32,589,312	\$ 28,030,342

BERKS COUNTY COMMUNITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of unconditional promises to give, as these originate within Berks County.

The Foundation has cash accounts with various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$ 100,000. At times, balances may exceed this limit. Management does not believe that it is exposed to any significant risk in connection with the uninsured cash balances.

Note 4. Contributions Receivable

Contributions receivable consist of unconditional promises to give. At June 30, 2007 and 2006, contributions receivable are as follows:

	2007	2006
Receivable in less than one year	\$ 493,000	\$ 339,315
Receivable in one to five years	<u>18,600</u>	<u>316,200</u>
Total contributions receivable	511,600	655,515
Less: discounts to net present value	<u>12,422</u>	<u>29,617</u>
	499,178	625,898
Charitable remainder trusts (Note 10)	<u>114,075</u>	<u>101,070</u>
Net contributions receivable	\$ <u>613,253</u>	\$ <u>726,968</u>

Note 5. Loans Receivable

As of June 30, 2007, the Foundation had extended loans to eight businesses and two nonprofit organizations from the Metropolitan Edison Company Sustainable Energy Fund. Repayment terms vary from two to ten years including interest rates from 0% to 25%.

Management has evaluated the need for an allowance for loan losses based on the risks inherent in the portfolio, the estimated value of any underlying collateral and the guarantees, if any, of the principals of the borrowing organizations. As of June 30, 2007 and 2006, management has established an allowance for loan losses of \$ 1,416,651 and \$ 1,704,542, respectively.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 5. Loans Receivable (continued)

During the fiscal year ended June 30, 2007, the Foundation received \$ 508,540 of principal payments and \$ 64,955 of interest income. At June 30, 2007 and 2006, the loans receivable are:

	2007	2006
Receivable in less than one year	\$ 1,432,381	\$ 243,280
Receivable in one to five years	1,860,790	2,255,512
Receivable in more than five years	<u>532,550</u>	<u>335,470</u>
	3,825,721	2,834,262
Less: allowance for loan losses	<u>1,416,651</u>	<u>1,704,542</u>
Net loans receivable	2,409,070	1,129,720
Interest receivable	<u>251,175</u>	<u>273,396</u>
Net loans and interest receivable	<u>\$ 2,660,245</u>	<u>\$ 1,403,116</u>

Note 6. Mortgages Receivable

During the fiscal year ended June 30, 2004, Properties, Inc. financed the sale of a real property that it sold to two individuals. The loan is secured by the related real estate. Terms of the loan specify a 15-year amortization period with a balloon payment due March 31, 2008. Interest is provided at the rate of 7% per annum.

During the year ended June 30, 2003, Properties, Inc. financed the sale of two real properties with mortgage notes which specify a 15-year amortization period with balloon payments due June 1, 2008. Interest is provided at the rate of 7% per annum.

Management has evaluated the need for an allowance for loan losses based on the risks inherent in the portfolio, the estimated value of the collateral and the guarantees, if any, of the principals of the borrowing organization. As of June 30, 2007 and 2006, management has established an allowance for loan losses of \$ 7,784 and \$ 8,382, respectively.

Mortgage interest income received during the fiscal years ended June 30, 2007 and 2006 was \$ 20,500 and \$ 11,443, respectively.

Note 7. Property and Equipment

Property and equipment at June 30, 2007 and 2006, are summarized as follows by major classification:

BERKS COUNTY COMMUNITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 7. Property and Equipment (continued)

	2007	2006
Equipment	\$ 96,875	\$ 91,613
Furniture and fixtures	45,370	45,370
Leasehold improvements	87,419	87,419
Software	<u>19,942</u>	<u>19,942</u>
	249,606	244,344
Less: accumulated depreciation and amortization	<u>226,849</u>	<u>211,682</u>
Net property and equipment	<u>\$ 22,757</u>	<u>\$ 32,662</u>

Note 8. Land and Construction in Progress

In October 2006, the Foundation purchased land located in the City of Reading for the purpose of constructing a professional space office building. The building is scheduled to be completed in October 2008. Costs incurred to date included in construction in progress were for land acquisition, architectural costs and engineering costs.

Note 9. Commitments

The Foundation leases its office and storage facilities under a ten-year lease, which expires in June 2008.

Rent expense was \$ 48,362 and \$ 47,088 in 2007 and 2006, respectively. Sublease rental receipts for the years ended June 30, 2007 and 2006 decreased rental expense by \$ 3,590 and \$ 3,234, respectively.

Future minimum lease payments for the year ended June 30, 2008 are \$ 47,960.

Note 10. Investments

The investment management fees are netted against the unrealized gain or added to the unrealized loss on marketable securities. For fiscal years ended June 30, 2007, and 2006 \$ 206,743 and \$ 150,965, respectively, in investment management fees are included in the change in net unrealized gain (loss).

BERKS COUNTY COMMUNITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 10. Investments (continued)

Investment income consisted of:	2007	2006
Net realized gains	\$ 2,384,974	\$ 877,806
Interest and dividend income	<u>1,062,994</u>	<u>1,004,628</u>
Investment income	<u>\$ 3,447,968</u>	<u>\$ 1,882,434</u>

Note 11. Charitable Remainder Trusts

The Foundation has been named as a beneficiary of several irrevocable charitable remainder trusts, three of which were quantifiable as of the year ended June 30, 2007. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's terms (usually the designated beneficiary's lifetime). The present value attributable to the future interest of the Foundation is recorded in the Statement of Activities as a temporarily restricted contribution in the period that the trust is established. In subsequent years, the change in present value attributable to the future interest of the Foundation is recorded as an increase or (decrease) in temporarily restricted contributions.

The present value of the estimated future payments is calculated using a discount rate of 5% and applicable mortality tables. It is included in the Statements of Financial Position as a component of contributions receivable of \$ 114,075 and \$ 101,070 for years ended June 30, 2007 and 2006, respectively.

Note 12. Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities in accordance with SFAS No. 116. Grants to be paid in more than one year are discounted 3% per year. The following is a summary of grants authorized and payable as of June 30:

	2007	2006
To be paid in less than one year	\$ 1,540,934	\$ 1,434,938
To be paid in one to five years	<u>789,044</u>	<u>620,284</u>
Gross grants authorized but unpaid	2,329,978	2,055,222
Less: discount on long-term grants	<u>(23,123)</u>	<u>(30,660)</u>
Net grants authorized but unpaid	<u>\$ 2,306,855</u>	<u>\$ 2,024,562</u>

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Note 13. Line of Credit

The Foundation had an agreement with a bank for a line of credit for a specific project which was completed during the fiscal year ended June 30, 2006. Interest is charged monthly at the bank's commercial rate. During the year ended June 30, 2007 the line of credit was satisfied and closed.

Note 14. Note Payable

Note payable consists of a loan to a bank, maturing in June 2008, payable in monthly installments of \$ 950 including interest at 6.57%, collateralized by the corporate assets of the Foundation. As of June 30, 2007 and 2006, the loan balance was \$ 12,692 and \$ 22,887, respectively.

Note 15. Charitable Gift Annuity

The charitable gift annuities provide for the periodic payment of distributions to designated individuals (the annuitants) over a specified period of time. At the end of the specified term, the remaining assets will remain at the Foundation to benefit the donor specified charity.

Contributions received under charitable gift annuity agreements totaled \$ 39,620 and \$ 250,000 for the years ended June 30, 2007 and 2006, respectively. Present value of future annuity payments is recognized as a liability on the Statements of Financial Position. For the years ended June 30, 2007 and 2006, the annuity payment liabilities totaled \$ 870,654 and \$ 884,605, respectively.

Note 16. Employee Benefits

The Foundation maintains a 403(b) retirement plan. The Foundation matches 50% of eligible employee contributions up to a maximum of 6% of salary. The Foundation contributed \$ 13,369 and \$ 12,210 toward the 403(b) plan in fiscal years 2007 and 2006, respectively.

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Note 17. SFAS No. 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*

The Foundation follows 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), which provides standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment 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 (NPO) 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 agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with SFAS 136, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At June 30, 2007, the Foundation was the owner of twelve agency endowment funds with a combined value of \$ 341,646. The following table summarizes activity in such funds during the year then ended:

Agency endowment fund balances at July 1, 2006	\$ 210,438
New contributions	104,134
Investment income	4,938
Net unrealized and realized investment gains and losses	34,476
Grants made	<u>(12,340)</u>
Agency endowment fund balances at June 30, 2007	<u>\$ 341,646</u>