

2008
REVIEW

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GLOUCESTER EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS
December 31, 2008
Together With
Accountants' Review Report

GLOUCESTER EDUCATION FOUNDATION, INC.

**FINANCIAL STATEMENTS
December 31, 2008**

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To the Board of Directors of
Gloucester Education Foundation, Inc.

We have reviewed the accompanying statement of financial position of Gloucester Education Foundation, Inc. (a nonprofit organization) as of December 31, 2008 and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Gloucester Education Foundation, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedule of functional expenses is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

KENNETH FREED & COMPANY
Boston, Massachusetts
October 16, 2009



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GLOUCESTER EDUCATION FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 315,524
Marketable securities	28,449
Unconditional promises to give	9,815
Other receivable	<u>11,000</u>

Total assets \$ 364,788

Liabilities and Net Assets

Current liabilities:

Grants payable	<u>\$ 3,200</u>
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Total liabilities 3,200

Net assets:

Unrestricted	18,438
Temporarily restricted	<u>343,150</u>

Total net assets 361,588

Total liabilities and net assets \$ 364,788

GLOUCESTER EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions and grants	\$ 126,256	\$ 271,746	\$ 398,002
Special events, net of costs of direct benefits to donors	11,153	-	11,153
Investment loss	(15,029)	-	(15,029)
Release of restriction	209,608	(209,608)	-
Total revenue	<u>331,988</u>	<u>62,138</u>	<u>394,126</u>
Expenses			
Program expenses:	<u>316,108</u>	<u>-</u>	<u>316,108</u>
Supporting services:			
Management and general	5,363	-	5,363
Fundraising	12,622	-	12,622
	<u>17,985</u>	<u>-</u>	<u>17,985</u>
Total expenses	<u>334,093</u>	<u>-</u>	<u>334,093</u>
Change in net assets	(2,105)	62,138	60,033
Net assets, beginning of year	<u>20,543</u>	<u>281,012</u>	<u>301,555</u>
Net assets, end of year	<u>\$ 18,438</u>	<u>\$ 343,150</u>	<u>\$ 361,588</u>

See Accompanying Notes and Accountants' Review Report

GLOUCESTER EDUCATION FOUNDATION

GLOUCESTER EDUCATION FOUNDATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

Cash flows from operating activities:	
Change in net assets	\$ 60,033
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on marketable securities	21,369
Contributions of marketable securities	(1,453)
Change in operating assets and liabilities	
Decrease in unconditional promises to give	10,985
Increase in other receivable	(11,000)
Decrease in grants payable	<u>(41,765)</u>
Net cash provided by operating activities	<u>38,169</u>
Cash flows from investing activities:	
Proceeds from sales of marketable securities	9,235
Purchase of securities	<u>(57,600)</u>
Net cash used by investing activities	<u>(48,365)</u>
Decrease in cash and cash equivalents	(10,196)
Cash and cash equivalents, beginning of year	<u>325,720</u>
Cash and cash equivalents, end of year	<u>\$ 315,524</u>

See Accompanying Notes and Accountants' Review Report

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GLOUCESTER EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Gloucester Education Foundation, Inc. (hereinafter "Foundation") was established in 2005 to provide financial support for the public schools of Gloucester, Massachusetts.

The Foundation is classified as a tax-exempt, not-for-profit organization under Internal Revenue Code Section 501(c)(3). In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (hereinafter "GAAP"). Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Board designated restrictions are considered unrestricted under these reporting standards. No permanently restricted net assets were held at December 31, 2008 and, accordingly, these financial statements do not reflect any activity related to this class of net assets.

Revenue Recognition

Contributions and grants (hereinafter "contributions") are recorded at fair value as revenue when received or pledged unconditionally. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor or by law. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction.

Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Additionally, it is the Foundation's policy to report temporarily restricted contributions and investment income whose restrictions are met in the same fiscal year the contributions were made or investment income was earned as unrestricted support.

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GLOUCESTER EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

In-Kind Contributions

Contributions of noncash assets are recorded at their fair values in the period received. During the year ended December 31, 2008, the Foundation received contributions of appreciated common stock with a fair value of \$1,453. Contributions of donated services, materials, or facilities that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the year ended December 31, 2008, there were no material donated services, materials, or facilities.

Fair Value Measurements

The Foundation follows Statement of Financial Accounting Standards Number 157 (hereinafter "SFAS No. 157"), *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 also establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework under SFAS No. 157 are as follows:

- Level I:* Inputs that reflect unadjusted quoted market prices in active markets for identical assets at the measurement date.
- Level II:* Inputs other than quoted market prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level III:* Inputs that are unobservable.

SFAS No. 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. An asset or liability's level within the framework is based on the lowest level of any input that is significant to the fair value measurement. The Foundation values all qualifying assets and liabilities as Level I. Consequently, the carrying amounts of financial instruments including cash, marketable securities, unconditional promises to give, other receivables and grants payable approximate fair value as of December 31, 2008.

Income Taxes

Income related to the Foundation's charitable purpose is tax-exempt. However, should the Foundation have unrelated business income it would be taxable. For the year ended December 31, 2008, no provision for income taxes has been made.

The Foundation may be subject to a new accounting pronouncement, Financial Accounting Standards Board Interpretation Number 48, *Accounting for Uncertainty in Income Taxes* (hereinafter, "FIN 48"). The purpose of FIN 48 is to clarify whether organizations may include tax benefits from uncertain tax positions in their financial statements. The Foundation is in the process of identifying areas in its activities that might be subject to actions by the Internal Revenue Service or state taxing authorities; therefore, the Foundation has elected to defer the application of FIN 48 as permitted by Financial Accounting Standards Board Staff Position FIN 48-3 until the fiscal year ending December 31, 2009. Deferring implementation will allow the Foundation to benefit from guidance on implementation currently being developed.

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GLOUCESTER EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Note 1 **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in banks, money market funds, certificates of deposit, and short-term, highly liquid investments that have a maturity of less than three months, unless restricted by a donor for a long-term purpose.

The Foundation's financial instruments that are exposed to concentration of credit risk consist of cash and cash equivalents. The Foundation places its cash and temporary cash investments with high credit quality institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution per organization. Amounts in excess of insured limits were approximately \$40,000 at December 31, 2008. The Foundation has not experienced any losses on these accounts and management believes the Foundation is not exposed to significant risks on such accounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Fair values are based on quoted market prices. Unrealized gains or losses are included in the statement of activities.

Promises to Give

The Foundation uses the allowance method to determine the uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Special Events

Special events are reported net of costs of direct benefits to donors of \$12,840 for the year ended December 31, 2008. Other costs incurred in connection with the event totaling \$849 have been included in fundraising expense in the statement of activities.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Expenses directly related to a functional classification are distributed to that functional classification, while other expenses are allocated to programs or supporting services based upon estimates developed by management.

Advertising

The Foundation follows the policy of charging the costs of advertising to expense as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The preparation of financial statements in conformity with GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include evaluation of subsequent events that have occurred through October 16, 2009, which is the date the financial statements were available to be issued.

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GLOUCESTER EDUCATION FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2008**

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Note 2 INVESTMENTS

The Foundation's marketable securities as of December 31, 2008 are summarized as follows:

	<u>Cost Basis</u>	<u>Carrying Value</u>	<u>Accumulated Unrealized Appreciation (Depreciation)</u>
Mutual funds	\$ 35,397	\$ 18,984	\$ (16,413)
Common stocks	7,911	4,558	(3,353)
Bonds	<u>5,035</u>	<u>4,907</u>	<u>(128)</u>
	<u>\$ 48,343</u>	<u>\$ 28,449</u>	<u>\$ (19,894)</u>

Net loss on investments for the year ended December 31, 2008 is comprised of the following:

Realized losses from sales of marketable securities	\$ (1,475)
Interest and dividends	4,141
Net increase in unrealized depreciation of marketable securities	(19,894)
Long-term capital gains distributed from investments in mutual funds	<u>2,199</u>
	<u>\$ (15,029)</u>

Note 3 UNCONDITIONAL PROMISES TO GIVE

At December 31, 2008, unconditional promises to give were receivable in less than one year and have been reported as current. Amounts are presented at fair value and are deemed fully collectible by management, therefore, a reserve for uncollectible promises to give has not been recorded.

Note 4 GRANTS PAYABLE

At December 31, 2008, grants payable consists of an amount payable in less than one year and is presented at fair value.

Note 5 NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its unrestricted net assets into the following categories:

- **Operating** - Amounts which bear no external restrictions and are currently available for operations.
- **Board designated** - Funds set aside by the Board of Directors to be used for purposes approved by the Board. As of December 31, 2008, all board designated funds had been used for their designated purposes.

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GLOUCESTER EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 5 NET ASSETS (continued)

Temporarily Restricted Net Assets

The Foundation receives contributions which are restricted by donors for specific purposes. These contributions, including future promises to give, are recorded as temporarily restricted net assets until they are expended for their restricted purposes or as time restrictions expire.

Temporarily restricted net assets consist of the following:

Cash and cash equivalents	\$ 304,886
Marketable securities	28,449
Unconditional promises to give	<u>9,815</u>
	<u>\$ 343,150</u>

Temporarily restricted net assets have been restricted to support the following programs:

SEA Initiative	\$ 243,000
Endowment Fund	77,505
Library Fund	352
Other	12,478
Future periods	<u>9,815</u>
	<u>\$ 343,150</u>

Endowment fund contributions and related investment income have been segregated into a restricted fund, the purpose of which is to provide a capital base to generate investment returns to contribute to the Foundation's annual operating budget. Disbursements from the endowment fund are dictated by the Foundation's endowment policy and donor restrictions and must be approved by the Board of Directors. Donors have not permanently restricted contributions to the endowment fund and, accordingly, principal may be expended if approved by the Board.

Library fund contributions and related investment income are restricted for the purpose of purchasing books and the funding of services for libraries in the Gloucester public schools.

Temporarily restricted net assets released from restrictions during 2008 were based on the satisfaction of time and purpose restrictions for the language, music and robotics programs.

Note 6 FUNDING CONCENTRATIONS

The Foundation received contributions from one source totaling \$234,000. These contributions comprise approximately 57% of total revenue and support.

Note 7 ADOPTION OF NEW ACCOUNTING PRINCIPLES

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157 in order to establish a single definition of fair value and a framework for measuring fair value in GAAP that is intended to result in the increased consistency and comparability in fair value measurements. SFAS No. 157 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. Fair value measurements are more fully discussed in Note 2.

GLOUCESTER EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 7 ADOPTION OF NEW ACCOUNTING PRINCIPLES (continued)

Management adopted the requirements of SFAS No. 157 on a prospective basis for 2008. The adoption of SFAS 157 required a change in certain valuation methods previously used. However, the adoption had no impact on amounts reported in the financial statements, and, consequently, these financial statements do not reflect any cumulative effect adjustments.

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SUPPLEMENTARY INFORMATION



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For assistance, call:
 1-877-829-5500

Notice Number: CP211A
 Date: September 21, 2009

Taxpayer Identification Number:
 57-1224669
 Tax Form: 990
 Tax Period: December 31, 2008

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GLOUCESTER EDUCATION FOUNDATION
 % EDWARD SHOUCAIR
 PO BOX 1104
 GLOUCESTER MA 01931-1104046

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APPLICATION FOR EXTENSION OF TIME TO FILE AN EXEMPT ORGANIZATION RETURN - APPROVED

We have received your Form 8868, Application for Extension of Time to File an Exempt Organization Return, for the return (form) and tax period identified above.

We have approved your request and have extended the due date to file your return to November 15, 2009.

If you have any questions, please call us at the number shown above, or you may write us at the address shown at the top left of this letter.

Reminder - You May Be Required to File Electronically

Exempt organizations may be required to file certain returns electronically. For tax years ending on or after December 31, 2006, the electronic filing requirement applies to exempt organizations with \$10 million or more in total assets if the organization files at least 250 returns in a calendar year, including income, excise, employment tax and information returns. Private foundations and charitable trusts will be required to file Forms 990-PF electronically regardless of their asset size, if they file at least 250 returns annually. For more information, go to www.irs.gov. Click "Charities and Non-Profits" and look for the "e-file for Charities and Non-Profits" tab.

For tax forms, instructions and information visit www.irs.gov. (Access to this site will not provide you with your specific taxpayer account information.)

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