

The Community Corporation

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

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REPORT OF INDEPENDENT AUDITORS

BOARD OF TRUSTEES
THE COMMUNITY CORPORATION

We have audited the accompanying statement of financial position of The Community Corporation as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Corporation's 2006 financial statements and, in our report dated September 4, 2007, an unqualified opinion was expressed on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 The Community Corporation as of December 31, 2007, and the results of its activities, changes in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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October 31, 2008

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The Community Corporation
STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31,	
	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,012,916	\$ 953,250
Cash and cash equivalents--designated pledges	50,979	4,807
Campaign pledges receivable:		
2007 Campaign, less allowance for uncollectible pledges (2007--\$170,000)	1,060,306	-
2006 Campaign, less allowance for uncollectible pledges (2007--\$165,105 and 2006--\$150,000)	229,129	1,270,443
2005 Campaign, less allowance for uncollectible pledges (2006--\$219,722)	-	228,709
Total campaign pledges receivable	1,289,435	1,499,152
Prepaid expenses and other assets	11,961	34,864
TOTAL CURRENT ASSETS	2,365,291	2,492,073
MARKETABLE SECURITIES	4,860,920	4,467,246
PROPERTY AND EQUIPMENT		
Land	14,327	14,327
Building and building improvements	191,822	191,822
Furniture and equipment	189,876	188,881
	396,025	395,030
Less allowances for depreciation	363,349	354,418
NET PROPERTY AND EQUIPMENT	32,676	40,612
PENSION BENEFIT ASSET	140,507	-
TOTAL ASSETS	\$ 7,399,394	\$ 6,999,931

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

December 31,

	2007	2006
CURRENT LIABILITIES		
Accounts payable	\$ 14,092	\$ 39,665
Designated pledges payable	192,916	146,787
Accrued expenses	1,820	5,038
Allocations payable	15,064	27,814
TOTAL CURRENT LIABILITIES	223,892	219,304
NET ASSETS		
UNRESTRICTED		
Investment in fixed assets	32,676	40,612
Pension benefit	140,507	-
Designated by the governing board for:		
Stabilization of agencies' funding	1,226,295	1,277,309
New programs	87,760	71,848
Emergency capital replacement	70,000	70,000
Undesignated, available for general activities	1,682,589	1,366,404
TOTAL UNRESTRICTED NET ASSETS	3,239,827	2,826,173
TEMPORARILY RESTRICTED		
Annual campaign income designated for future periods	1,698,015	1,936,748
Other	86,579	54,330
TOTAL TEMPORARILY RESTRICTED NET ASSETS	1,784,594	1,991,078
PERMANENTLY RESTRICTED	2,151,081	1,963,376
TOTAL NET ASSETS	7,175,502	6,780,627
TOTAL LIABILITIES AND NET ASSETS	\$ 7,399,394	\$ 6,999,931

The Community Corporation
STATEMENTS OF ACTIVITIES

	Years ended December 31,							
	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Prior-year campaign contribution	\$ 674,476	\$ -	\$ -	\$ 674,476	\$ 701,153	\$ -	\$ -	\$ 701,153
Net assets released from restrictions								
Prior-year campaign contributions--net	1,936,748	(1,936,748)	-	-	1,950,820	(1,950,820)	-	-
Current-year campaign contributions--net	-	1,698,015	-	1,698,015	-	1,936,748	-	1,936,748
Net campaign revenue	2,611,224	(238,733)	-	2,372,491	2,651,973	(14,072)	-	2,637,901
Endowment fund contributions	-	-	135,098	135,098	-	-	382,500	382,500
Investment income - net	130,090	32,249	-	162,339	124,032	19,699	-	143,731
Gain on sale of investments	268,246	-	58,405	326,651	(24)	-	50,755	50,731
Gain (loss) on investments reported at fair value	(192,701)	-	(5,798)	(198,499)	177,593	-	75,097	252,690
Miscellaneous income	20,847	-	-	20,847	59,179	-	-	59,179
TOTAL REVENUE	2,837,706	(206,484)	187,705	2,818,927	3,012,753	5,627	508,352	3,526,732
FUND DISTRIBUTIONS, SERVICES, DUES AND OTHER EXPENSES								
Allocations to local agencies	1,931,244	-	-	1,931,244	2,018,495	-	-	2,018,495
Other Community Corporation expenses								
Program services:								
Planning and community investment	113,982	-	-	113,982	115,988	-	-	115,988
Labor	72,877	-	-	72,877	74,853	-	-	74,853
	186,859	-	-	186,859	190,841	-	-	190,841
Supporting services:								
Administration	124,444	-	-	124,444	128,171	-	-	128,171
United Way campaign	322,012	-	-	322,012	334,287	-	-	334,287
	446,456	-	-	446,456	462,458	-	-	462,458
Total other expenses	633,315	-	-	633,315	653,299	-	-	653,299
TOTAL EXPENSES	2,564,559	-	-	2,564,559	2,671,794	-	-	2,671,794
INCREASE (DECREASE) IN NET ASSETS BEFORE ADOPTION OF FASB NO. 158	273,147	(206,484)	187,705	254,368	340,959	5,627	508,352	854,938
EFFECT OF ADOPTION OF RECOGNITION AND MEASUREMENT DATE PROVISIONS OF FASB NO. 158	140,507	-	-	140,507	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	413,654	(206,484)	187,705	394,875	340,959	5,627	508,352	854,938
NET ASSETS AT BEGINNING OF YEAR	2,826,173	1,991,078	1,963,376	6,780,627	2,485,214	1,985,451	1,455,024	5,925,689
NET ASSETS AT END OF YEAR	\$ 3,239,827	\$ 1,784,594	\$ 2,151,081	\$ 7,175,502	\$ 2,826,173	\$ 1,991,078	\$ 1,963,376	\$ 6,780,627

The Community Corporation
STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2007

With Comparative Totals for 2006

	Program Services			Supporting Services			Total Program and Supporting Services Expenses	
	Planning and Community Investment	Labor	Total	Administration	United Way Campaign	Total	2007	2006
SALARIES								
Executive	\$ 56,231	\$ 42,843	\$ 99,074	\$ 45,520	\$ 123,172	\$ 168,692	\$ 267,767	\$ 275,111
Office	8,105	4,631	12,736	4,632	41,957	46,589	59,325	54,035
							327,092	329,146
Employee benefits	17,690	13,272	30,962	13,263	44,246	57,509	88,471	87,155
Payroll taxes	5,222	3,858	9,080	4,067	13,359	17,426	26,506	26,665
TOTAL SALARIES AND RELATED EXPENSES	87,248	64,604	151,852	67,482	222,734	290,216	442,069	442,966
Office supplies	1,788	215	2,003	898	7,686	8,584	10,587	13,934
Telephone	1,047	496	1,543	1,918	2,040	3,958	5,501	6,061
Postage and shipping	703	259	962	980	6,803	7,783	8,745	8,888
Utilities	1,513	720	2,233	2,234	2,738	4,972	7,205	7,170
Insurance	1,501	712	2,213	4,850	2,708	7,558	9,771	9,612
Printing and publications	256	367	623	1,775	26,592	28,367	28,990	30,988
Transportation and travel	1,086	187	1,273	8	2,674	2,682	3,955	5,883
Local meetings	509	41	550	1,133	4,213	5,346	5,896	4,372
Car rental	-	-	-	9,871	-	9,871	9,871	9,971
Rental and maintenance of equipment and building	5,834	2,216	8,050	8,743	14,349	23,092	31,142	26,352
Membership dues and tuition	7,687	1,517	9,204	5,287	16,866	22,153	31,357	35,428
Professional fees	2,376	807	3,183	3,125	7,583	10,708	13,891	12,642
Investment expense	-	-	-	5,478	-	5,478	5,478	5,047
Miscellaneous expense	559	22	581	8,161	1,186	9,347	9,928	13,543
TOTAL EXPENSES BEFORE DEPRECIATION	112,107	72,163	184,270	121,943	318,172	440,115	624,385	632,857
Depreciation	1,875	714	2,589	2,501	3,840	6,341	8,930	20,442
TOTAL EXPENSES	\$ 113,982	\$ 72,877	\$ 186,859	\$ 124,444	\$ 322,012	\$ 446,456	\$ 633,315	\$ 653,299

The Community Corporation
STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 394,875	\$ 854,938
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Provision for depreciation	8,931	20,442
Provision for uncollectible pledges	(34,617)	31,572
(Gain) on investments	(128,151)	(303,421)
Increase (decrease) in cash due to changes in:		
Campaign pledges receivable	244,334	(52,832)
Prepaid expenses and other assets	(117,604)	(28,674)
Accounts payable and accrued expenses	17,337	47,318
Allocations payable	(12,750)	(54,136)
NET CASH FLOWS FROM OPERATING ACTIVITIES	372,355	515,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,114,130)	(1,889,785)
Proceeds from sale of investments	1,713,510	1,017,126
Property and equipment acquisitions	(995)	(2,265)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(401,615)	(874,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	135,098	382,500
NET CASH FLOWS FROM FINANCING ACTIVITIES	135,098	382,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,838	22,783
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	958,057	935,274
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,063,895	\$ 958,057

The Community Corporation
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

Operations

The Corporation is a charitable entity that provides planning and fund-raising activities for social service areas including Liberty, Girard, Hubbard, and Mahoning County United Way organizations.

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. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be a cash equivalent.

Campaign Income and Receivables

A campaign is conducted each year to raise support for allocations to participating agencies in the subsequent calendar year. Pledges received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Allowances are provided for uncollectible pledges. Subsequent adjustments to campaign results are made based on experience and current economic conditions.

Property and Equipment

The Corporation capitalizes the purchases of property and equipment in excess of \$500. Property and equipment are recorded at cost (fair market value at date of donation for donated assets) and depreciated by the straight-line method over the estimated useful life.

Designated Pledges

Financial donor contributions designated to a specific agency without granting variance power to The Community Corporation are not included in campaign revenue, but are recorded as a liability to the designated beneficiary.

Concentration of Credit Risk

The Corporation maintains cash balances in financial institutions located in Northeastern Ohio. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Corporation's cash balances may at times exceed the insured limit.

The Corporation maintains accounts with brokerage firms. The accounts contain money market funds and debt and equity securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation.

Permanent Endowment

In 1998, the Legacy Society was established to build an endowment fund for future generations. The endowment fund is classified as a permanently restricted net asset due to the restrictions placed by the donors. Interest generated from the gifts of donors will be used to fund existing programs, implement new ones, and to provide for community needs as identified by the donors.

Donated Services

A large number of volunteers have donated substantial amounts of time toward the campaign and the various program activities. No amounts have been reflected in the financial statements as there is no consistent objective basis upon which to measure the value of these services.

Net Assets

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use has been limited by donor-imposed time restrictions or purpose restrictions. Permanently restricted net assets are net assets required by donor restriction or by law to be maintained by the Corporation in perpetuity. Unrestricted net assets are all other net assets.

The Community Corporation
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE B--MARKETABLE SECURITIES

Investments are stated at fair value based on quoted market prices and consist of the following:

	December 31,			
	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Common Stocks	\$ 2,334,135	\$ 2,550,681	\$ 2,026,989	\$ 2,502,755
US Treasury and Government	1,314,142	1,342,698	1,352,832	1,348,083
Corporate Bonds	425,036	429,650	450,160	446,922
Mutual Funds	147,850	166,223	52,254	52,155
Money Market	359,155	359,155	105,020	105,020
Accrued Interest	12,513	12,513	12,311	12,311
TOTAL MARKETABLE SECURITIES	\$ 4,592,831	\$ 4,860,920	\$ 3,999,566	\$ 4,467,246

NOTE C--INCOME TAX STATUS

The Corporation qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. The Corporation is exempt from private foundation status under Code Section 509(a)(1) as an organization described in Code Section 170(b)(1)(A)(vi).

NOTE D--PLEDGE ALLOCATIONS

The Executive Committee has allocated \$1,826,950 to the United Way participating agencies for the agencies' 2008 operations.

NOTE E--CONCENTRATIONS

During 2007, the Community Corporation received \$240,460 of its contributions from the employees of two businesses. At December 31, 2007 this entire amount was included in campaign pledges receivables.

NOTE F--RETIREMENT BENEFIT PLAN

The Corporation sponsors a defined benefit pension plan (the Plan). Full-time employees over the age of 21 are eligible to participate in the Plan. The Corporation's policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement

Income Security Act of 1974, plus such additional amounts as the Corporation may determine to be appropriate from time to time. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The plan assets are invested in annuity contracts.

In September 2006 the FASB issued Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB statements No. 87, 88, 106, and 132(R)" (SFAS 158). The Corporation adopted the recognition provisions of SFAS 158 as of December 31, 2007, which require that the funded status of defined benefit pension and other postretirement plans be fully recognized on the statement of financial position as an asset (for overfunded plans) or as a liability (for underfunded plans). In addition, SFAS 158 calls for any unrecognized prior service costs, transition obligations or actuarial gains/losses reported as a component of unrestricted net assets.

Summarized information for the Corporation's December 31, 2007 implementation of SFAS 158 for the defined benefit plans is as follows:

	December 31, 2007		
	FAS 132	Change	FAS 158
Asset to Reflect the Plan's Funded Status	\$ -	\$ 140,507	\$ 140,507
Unrestricted net asset-pension benefits	\$ -	\$ (140,507)	\$ (140,507)

The Community Corporation
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE F--RETIREMENT BENEFIT PLAN (CONTINUED)

The Corporation uses a December 31 measurement date for its defined benefit plan. Summarized information for the Corporation's plan is as follows:

**As of December 31,
2007**

Change in Benefit Obligation:

Benefit Obligation at the beginning of the year	\$ 467,532
Service Cost	30,286
Interest Cost	28,380
Expense Charges	(8,499)
Benefit Obligation at the end of the year	<u>\$ 517,699</u>

Fair Value of Plan Assets at beginning of the year	\$ 589,329
Actual Return on Plan Assets	42,020
Employer Contributions	35,356
Benefits disbursed from Plan Assets (Including Expense Charges)	(8,499)
Fair Value of Plan Assets at the end of the year	<u>\$ 658,206</u>

As of December 31, 2007 the following amounts were recognized in the statement of financial position and in unrestricted net assets:

Amount recognized in the Statement of Financial Position:

Non-Current Asset	<u>\$ 140,507</u>
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Amount recognized in Unrestricted Net Assets:

Net Transition Obligation/ (Net Asset)	\$ (113,677)
Net Actuarial Loss/(Gain)	7,707
Prepaid Pension cost prior to FASB No. 158	(34,537)
	<u>\$ (140,507)</u>

At December 31, 2007, the funded status of the Plan was as follows:

Funded Status	\$ 140,507
Unrecognized Net Obligation or (Net Asset)	(113,677)
Unrecognized Actuarial (Gain) or Loss	7,707
Prepaid/ (Accrued) Benefit Cost	34,537
Net Amount Recognized	<u>\$ 140,507</u>

At December 31, 2007, the following amounts were components of net periodic benefit cost:

Service Cost	\$ 30,286
Interest Cost	28,380
Expected Return on Plan Assets	(49,727)
Amortization of Unrecognized Transitional Obligation or (asset)	(8,120)
Net Periodic Benefit Cost	<u>\$ 819</u>

As of December 31, 2007, there are no amounts estimated to be reclassified as net periodic benefit cost over the next fiscal year.

The Community Corporation
NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE F--RETIREMENT BENEFIT PLAN (CONTINUED)

Weighted average assumptions used to determine net periodic benefit cost at December 31 were as follows:

	2007	2006
Discount rate	5.75%	8.00%
Rate of compensation increase	3.00%	3.50%
Expected return on plan assets	8.25%	6.80%

The Corporation's benefit pension plan asset allocations at December 31, 2007 by asset category are as follows:

Asset Class	Percentage of Plan Assets 2007
Fixed Income	<u>100%</u>

The Corporation's overall strategy is to invest in high-grade securities and other assets with a minimum risk of market value fluctuation.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Payments
2008	\$ 104,000
2009	\$ -
2010	\$ 109,000
2011	\$ 203,000
2012	\$ -
2013-2017	\$ 75,000

In May 2007, the Board of Directors approved the termination of the defined benefit plan effective June 30, 2008. All liabilities of the Plan will be paid to plan participants, beneficiaries and others as appropriate, upon government approval of the termination and final valuation of the Plan.

NOTE G--LEASES

The Corporation leases office equipment and a vehicle under operating leases expiring in various years through 2012. Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2007 for each of the next five years and in the aggregate are:

Year ended December 31,

2008	\$ 6,200
2009	4,200
2010	4,200
2011	3,900
2012	2,250
	<u>\$ 20,750</u>

Lease expense for the years ending December 31, 2007 and 2006 is \$12,184 and \$12,809, respectively.

NOTE H--RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation occasionally enters into transactions with members of its Board of Trustees. These transactions primarily relate to depository relationships with financial institutions and lease of vehicles.

NOTE I--RISKS AND UNCERTAINTIES

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.