

FRIENDS OF SOUTH HIGH FOUNDATION
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS
AS OF JUNE 30, 2007
(With Independent Auditor's Report)

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Friends of South High Foundation
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Friends of South High Foundation (a nonprofit organization) as of June 30, 2007, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Friends of South High Foundation as of June 30, 2007, and the 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.

January 30, 2008

FRIENDS OF SOUTH HIGH FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

Cash and cash equivalents	\$ 346,349
Certificates of deposit	18,826
Marketable equity/debt securities	1,062,273
Prepaid expenses	750
Property and equipment	2,576
Less accumulated depreciation	<u>(2,576)</u>
	-
	<u>1,428,198</u>

LIABILITIES AND NET ASSETS

LIABILITIES	\$ <u>-</u>
NET ASSETS:	
Unrestricted	235,546
Temporarily restricted	869,850
Permanently restricted	<u>322,802</u>
	<u>1,428,198</u>
	<u>\$ 1,428,198</u>

FRIENDS OF SOUTH HIGH FOUNDATION
STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2007

UNRESTRICTED NET ASSETS:

Unrestricted Revenues and Gains:

Contributions	54,883
Fund raising events	12,971
Interest and dividend income	2,943
Net unrealized losses on marketable equity/debt securities	<u>(102)</u>
Total Unrestricted Revenues and Gains	<u>70,695</u>

Net Assets Released from Restrictions:

South High School programs/students	<u>22,437</u>
Total Unrestricted Revenues, Gains and Other Support	<u>93,132</u>

Expenses:

Program services:

South High School programs/students	42,866
Fund raising events	4,863

Supporting service:

Functional expenses	<u>6,849</u>
Total Expenses	<u>54,578</u>

Increase in Unrestricted Net Assets	<u>38,554</u>
-------------------------------------	---------------

TEMPORARILY RESTRICTED NET ASSETS:

Contributions	18,000
Dividend income	14,449
Net unrealized gains on marketable equity/debt securities	38,496
Net assets released from restrictions:	
South High School programs/students	(22,437)
Supporting Services:	
Functional expenses	<u>(1,777)</u>
Increase in Temporarily Restricted Net Assets	<u>46,731</u>

PERMANENTLY RESTRICTED NET ASSETS:

Endowment fund interest and dividend income	4,234
Net unrealized gains on marketable equity/debt securities	<u>9,347</u>
Increase in Permanently Restricted Net Assets	<u>13,581</u>

INCREASE IN NET ASSETS 98,866

NET ASSETS, BEGINNING OF YEAR 1,329,332

NET ASSETS, END OF YEAR 1,428,198

FRIENDS OF SOUTH HIGH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Newletter	\$ -	\$ 4,070	\$ -	\$ 4,070
Administrative expenses	-	4,531	-	4,531
Professional fees	-	25	-	25
	<u>\$ -</u>	<u>\$ 8,626</u>	<u>\$ -</u>	<u>\$ 8,626</u>

FRIENDS OF SOUTH HIGH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 98,866
Adjustments to reconcile decrease in net assets to net cash flows provided by operating activities:	
Unrealized gains on marketable equity/debt securities	<u>(47,741)</u>
Net cash flows provided by operating activities	<u>51,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases and dividend income reinvested in marketable equity/debt securities	<u>(20,311)</u>
Net (increase) decrease in certificates of deposit	<u>2,247</u>
Net cash flows used in investing activities	(18,064)
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,061
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>313,288</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>346,349</u></u>

FRIENDS OF SOUTH HIGH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation 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. As permitted by the statement, the Foundation does not use fund accounting.

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

The Foundation has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of activities and changes in net assets.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of support, revenues, and expenses and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management believes the Foundation is not exposed to any significant credit risk related to cash.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of less than three months.

(continued on following page)

NOTES TO FINANCIAL STATEMENTS - Page 2NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ContinuedProperty and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Office equipment	5 years
------------------	---------

Marketable Equity/Debt Securities

The Foundation has adopted 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 statement of assets, liabilities and net assets. Unrealized gains and losses are included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 NATURE OF ORGANIZATION

Friends of South High Foundation was incorporated under the laws of the State of Minnesota as a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's program services provide funds for South High School students and faculty for programs and extra curricular activities. The Foundation also assists students with scholarships for post secondary schools.

NOTE 3 MARKETABLE EQUITY/DEBT SECURITIES

Marketable equity/debt securities are stated at fair value and consist of mutual funds and common stocks. At December 31, 2006, the Foundation held \$701,507, as temporarily restricted net assets and \$309,221, as net assets permanently restricted to the endowment fund.

#