

September 7, 2007

To the Board of Directors
Ball-Chatham Educational Foundation
Ball-Chatham Community Unit School District No. 5
Chatham, IL 62629

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Ball-Chatham Educational Foundation (a nonprofit organization) as of the years ended June 30, 2007 and 2006, and the related statements 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 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 Ball-Chatham Educational Foundation as of the years June 30, 2007 and 2006, and the changes 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.

Respectfully submitted,

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BALL-CHATHAM EDUCATIONAL FOUNDATION
Chatham, Illinois

STATEMENT OF FINANCIAL POSITION
For the Years Ended June 30, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 30,482	\$ 47,390
<i>Unconditional promises to give:</i>		
Restricted to payment for fine arts programs	<u> </u>	<u>4,000</u>
Total current assets	<u>30,482</u>	<u>51,390</u>
TOTAL ASSETS	<u>\$ 30,482</u>	<u>\$ 51,390</u>

LIABILITIES

Liabilities		
Accounts payable	\$ <u>11,535</u>	\$ <u>18,135</u>
Total current liabilities	<u>11,535</u>	<u>18,135</u>

NET ASSETS

Net Assets		
Unrestricted	18,592	25,240
Temporarily restricted	<u>355</u>	<u>8,015</u>
Total net assets	<u>18,947</u>	<u>33,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,482</u>	<u>\$ 51,390</u>

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

BALL-CHATHAM EDUCATIONAL FOUNDATION
Chatham, Illinois

STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Unrestricted Net Assets		
<i>Unrestricted revenues</i>		
Unrestricted contributions	\$ 19,512	\$ 9,560
Gifts in-kind	4,131	
Interest income	<u>1,817</u>	<u>647</u>
Total unrestricted revenues	<u>25,460</u>	<u>10,207</u>
Net Assets Released from Temporary Restrictions		
Temporary restrictions satisfied by donations payable	39,050	5,785
Other net assets released from temporary restriction	<u>800</u>	<u> </u>
Total unrestricted revenues and net assets released from temporary restrictions	<u>65,310</u>	<u>15,992</u>
Expenses		
<i>Program services</i>		
Grants to Ball-Chatham CUSD #5	65,940	16,717
Plaques	540	230
Musical instrument repair		235
Other program expenses	104	
<i>Supporting services</i>		
Accounting fees	2,000	200
Supplies and maintenance	400	275
Fines and penalties		1,418
Postage, shipping and delivery	172	
Printing and copying	697	
Insurance	212	
Advertising	2,066	
Other supporting expenses	<u>27</u>	<u> </u>
Total unrestricted expenses	<u>72,158</u>	<u>19,075</u>
Decrease in Unrestricted Net Assets	(<u>6,848</u>)	(<u>3,083</u>)
Temporarily Restricted Net Assets		
<i>Temporarily restricted revenue</i>		
Temporarily restricted contributions	<u>32,390</u>	<u>13,800</u>
Total temporarily restricted revenues	<u>32,390</u>	<u>13,800</u>
Net Assets Released from Temporary Restrictions		
Temporarily restrictions satisfied by donations payable	(39,050)	(5,785)
Other net assets released from temporary restriction	<u>(800)</u>	<u> </u>
Total temporarily restricted revenues and net assets released from temporary restrictions	<u>(39,850)</u>	<u>(5,785)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	(<u>7,460</u>)	<u>8,015</u>
Increase (Decrease) in Net Assets	(14,308)	4,932
Net Assets at Beginning of Year	<u>33,255</u>	<u>28,323</u>
Net Assets at End of Year	<u>\$ 18,947</u>	<u>\$ 33,255</u>

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

BALL-CHATHAM EDUCATIONAL FOUNDATION
Chatham, Illinois

STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<i>Cash Flows from Operating Activities</i>		
Increase (decrease) in net assets	\$(14,308)	\$ 4,932
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
<i>(Increase) decrease in operating assets:</i>		
Restricted unconditional promises to give	4,000	(4,000)
<i>(Increase) decrease in operating liabilities:</i>		
Penalties payable	(1,418)	1,418
Grants payable, Ball-Chatham CUSD #5	<u>(5,182)</u>	<u>16,717</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(16,908)</u>	<u>19,067</u>
<i>Cash Flows from Investing Activities</i>	<u>--</u>	<u>--</u>
<i>Cash Flows from Financing Activities</i>	<u>--</u>	<u>--</u>
<i>Net Increase (Decrease) in Cash</i>	(16,908)	19,067
<i>Cash – Beginning of Year</i>	<u>47,390</u>	<u>28,323</u>
<i>Cash – End of Year</i>	<u>\$ 30,482</u>	<u>\$ 47,390</u>

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

BALL-CHATHAM EDUCATIONAL FOUNDATION
Chatham, Illinois

NOTES TO FINANCIAL STATEMENTS

**Note 1. *NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES***

Nature of Activities:

The Ball-Chatham Educational Foundation was established on July 16, 2001 to raise and distribute funds in support of the schools of the Ball-Chatham Community Unit School District No. 5. These funds are to be used for, but not limited to, student support and enrichment, enhancement of staff development and creativity, innovative programmatic initiatives, creation of an endowment for the Ball-Chatham Community Unit School District No. 5 for the purpose of providing on-going financial support for schools in the District, and to work with and support other groups and/or individuals interested in contributing to the success of the Ball-Chatham Community Unit School District No. 5 Educational Mission.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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.

Unconditional Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible unconditional promises made for the years ended June 30, 2007 and 2006 respectively. All unconditional promises to give are expected to be received in less than one year.

BALL-CHATHAM EDUCATIONAL FOUNDATION
Chatham, Illinois

NOTES TO FINANCIAL STATEMENTS

**Note 1. *NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES - continued***

Estimates:

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

Contributions:

Under SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Income Taxes:

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of the date of this report there are no assets considered to be cash equivalents.

Note 2. *CONCENTRATION OF CREDIT RISK*

The Foundation maintains its bank account at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this financial institution did not exceed federally insured limits.

Note 3. *RESTRICTIONS ON NET ASSETS*

Temporarily restricted net assets are available for the following purposes:

Fine Arts Grants	\$355
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BALL-CHATHAM COMMUNITY EDUCATIONAL FOUNDATION
Chatham, Illinois

NOTES TO FINANCIAL STATEMENTS

Note 4. *In-Kind Gifts*

During the fiscal year ended June 30, 2007, \$4,131 was paid on behalf of the Foundation by other entities. This amount was recognized as Unrestricted Revenue for June 30, 2007 and recorded to expense accounts as follows:

Advertising	\$ 2,066
Accounting	2,000
Other	<u>65</u>
Total	<u>\$ 4,131</u>

There were no in-kind gifts donated to the Foundation during the fiscal year ended June 30, 2006.

Note 5. *RELATED PARTY TRANSACTIONS*

During the fiscal years ended June 30, 2007 and 2006, donations promised to the Ball-Chatham Community Unit School District No. 5 amounted to \$11,535 and \$16,717 respectively, and were included on the Statement of Financial Position as accounts payable. During the fiscal year ended June 30, 2007 cash payments to the Ball-Chatham Community Unit School District No. 5 amounted to \$71,122. There were no cash payments made to the District during the fiscal year ended June 30, 2006. The Superintendent of Ball-Chatham Community Unit School District No. 5 serves on the Board of Directors for the Foundation.

BALL-CHATHAM COMMUNITY EDUCATIONAL FOUNDATION
Chatham, Illinois

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Chatham, Illinois

FINANCIAL STATEMENTS
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