

# DAN CLASBY & COMPANY

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Board of Managers  
Feoffees of the Grammar School  
Ipswich, Massachusetts

We have audited the statements of assets, liabilities, and net assets - cash basis of **Feoffees of the Grammar School** (a non-profit organization) as of June 30, 2002, and the related statement of activities - cash basis for the year then ended. These financial statements are the responsibility of the Trust's managers. 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. 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 the Trust's managers, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting and are not intended to be presented in conformity with generally accepted accounting principles.

In addition, generally accepted accounting principles require that land be stated at cost. The Organization has stated land at its assessed value and that, if generally accepted accounting principles had been followed, the account and the net assets would have been decreased by \$15,419,900.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **Feoffees of the Grammar School** as of June 30, 2002, and its activities for the year then ended, on the basis of accounting described in Note 1.



September 2002

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## FINANCIAL STATEMENTS OF THE GRAMMAR SCHOOL

Statement of Assets, Liabilities, and Net Assets -  
Cash Basis

As of June 30, 2002

Assets

Cash - operating	\$ 17,425
Cash - savings	270,026
Land and buildings - book value	<u>15,419,900</u>
Total Assets	\$ <u>15,707,351</u>

Liabilities and Net Assets

Liabilities	\$ _____
Total Liabilities	_____
Net assets:	
Unrestricted	<u>15,707,351</u>
Total Liabilities and Net Assets	\$ <u>15,707,351</u>

See Independent Auditor's Report.

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

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## OFFICES OF THE GRAMMAR SCHOOL

## Statement of Activities - Cash Basis

For the Year Ended June 30, 2002

Support and Revenue		\$ 334,043
Building collections		361,756
Rents		<u>11,449</u>
Interest		
Total revenue		<u>707,248</u>
Expenses		334,043
Real estate taxes		282,970
Gift to the school		52,384
Water		9,600
Salaries		8,811
Legal		7,266
Maintenance		6,475
Land		6,104
Police		5,095
Insurance		3,962
Contracting fees		1,400
Document fees		822
Office expenses		316
Telephone		<u>160</u>
Meals		
Total expenses		<u>719,408</u>
Change in net assets		( 12,160)
Net assets at beginning of year		<u>15,719,511</u>
Net assets at end of year		<u>\$ 15,707,351</u>

See the Auditor's Report.  
 These are an integral part of these financial statements.

## FOFFEES OF THE GRAMMAR SCHOOL

### Notes to Financial Statements

#### (1) Summary of significant accounting policies

##### (a) Organization

The Feoffees of the Grammar School (the "Trust") was established by the Town of Ipswich (the Town) by a vote of Town Meeting on November 14, 1650. The vote established a four-member committee to hold land granted by the Town for the support of a "grammar school". The Trust came into possession of the real property currently held in 1660 through the bequest of a member, an original member of the 1650 committee.

The Trust owns a parcel of land of approximately thirty five (35) acres in Massachusetts. On this land are situated one hundred sixty seven (167) cottages, of which forty three (143) are seasonal and twenty four (24) are year round. The cottages may only be occupied between April 1 and November 30 each year. The Trust and pays to the Town the real estate taxes on the land and on such structures as the community center and a wharf; in addition they collect for the Town the real estate taxes assessed on the cottages.

The Trust designates its net earnings to be for the benefit of the children of the Town of Ipswich. With no benefits accruing to its trustees, it has considered itself to be a private organization. However until 1997 no federal or state tax returns were filed by the Trust. The position of the Trust that it was a "quasi-public trust" and therefore was not required to file the tax returns.

The Trust is supported primarily through rent collections.

##### (b) Financial statement presentation

The Trust has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Trust is required to report information regarding its financial position and activities according to three asset categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The financial statements of the Trust are prepared on the cash basis of accounting. The cash basis of accounting used by Feoffees of the Grammar School recognizes income and the expenses when received rather than when earned and recognizes expenses when paid when the obligation is incurred.

##### (c)

The preparation of financial statements requires management to make estimates and judgments that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.