

FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 2007

FEOFFEES OF THE GRAMMAR SCHOOL

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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 accompanying statement of financial position of the Feoffees of the Grammar School (a non-profit organization) as of June 30, 2007, and the related statements of activities and cash flows 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 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 Feoffees of the Grammar School as of June 30, 2007, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



March 4, 2008

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FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Financial Position

As of June 30, 2007

Assets

Current assets:

Cash	\$ 420,798
Accounts receivable	<u>112,907</u>
Total current assets	<u>533,705</u>

Property, betterments and equipment:

Sewer betterments	6,677,122
Electric betterments	498,584
Furniture and futures	<u>1,893</u>
	7,177,599
Less accumulated amortization and depreciation	<u>237,374</u>

Net property and betterments 6,940,225

Land and buildings, Note 1 -

Total Assets \$ 7,473,930

Liabilities and Net Assets

Current liabilities:

Note payable - current portion	\$ 160,500
Accounts payable	366,579
Accrued interest	29,315
Deferred rent collections	<u>57,210</u>
Total current liabilities	613,604

Long term debt, net of current portion 6,142,693

Total liabilities 6,756,297

Contingencies

Net assets:

Unrestricted - undesignated	667,633
Unrestricted - board designated	<u>50,000</u>
Total net assets	<u>717,633</u>

Total Liabilities and Net Assets \$ 7,473,930

See Independent Auditors' Report and notes to the financial statements.

FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Activities

For the Year Ended June 30, 2007

	<u>Undesignated</u>	<u>Board Designated</u>	<u>Total</u>
Support and Revenue:			
Rents	\$ 1,001,600	\$ -	\$ 1,001,600
Real estate tax collections	507,637	-	507,637
Wastewater overhead and maintenance fees	62,880	-	62,880
Interest income and late charges	<u>11,817</u>	<u>-</u>	<u>11,817</u>
Total support and revenue	<u>1,583,934</u>	<u>-</u>	<u>1,583,934</u>
Expenses:			
Real estate taxes	530,300	-	530,300
Legal	251,714	-	251,714
Repairs and upkeep	113,252	-	113,252
Management fees	73,005	-	73,005
Engineering consulting	19,249	-	19,249
Utilities	17,781	-	17,781
Insurance	8,519	-	8,519
Accounting	8,000	-	8,000
Police details	7,289	-	7,289
Inspections	5,040	-	5,040
Mediation services	2,225	-	2,225
Dock removal and storage	2,040	-	2,040
Office expense	1,622	-	1,622
Beach sampling	728	-	728
State fees	<u>250</u>	<u>-</u>	<u>250</u>
Total expenses	<u>1,041,014</u>	<u>-</u>	<u>1,041,014</u>
Change in net assets before interest, amortization and depreciation and gift to Town of Ipswich Public Schools	<u>542,920</u>	<u>-</u>	<u>542,920</u>
Interest expense	521,842	-	521,842
Amortization and depreciation	<u>237,374</u>	<u>-</u>	<u>237,374</u>
	<u>759,216</u>	<u>-</u>	<u>759,216</u>
Change in net assets before gift to Town of Ipswich Public Schools	(216,296)	-	(216,296)
Gift to Town of Ipswich Public Schools	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(216,296)	-	(216,296)
Net assets, beginning of year	<u>883,929</u>	<u>50,000</u>	<u>933,929</u>
Net assets, end of year	\$ <u>667,633</u>	\$ <u>50,000</u>	\$ <u>717,633</u>

See Independent Auditors' Report and notes to the financial statements.

FEOFFEEES OF THE GRAMMAR SCHOOL

Statement of Cash Flows

For the Year Ended June 30, 2007

Cash flows from operating activities:	
Change in net assets	\$(216,296)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Amortization and depreciation	237,374
Changes in operating assets and liabilities:	
Increase in accounts receivable	(40,473)
Increase in accounts payable	358,365
Increase in accrued expenses	29,315
Increase in deferred rent collections	<u>57,210</u>
Net cash provided by operating activities	<u>425,495</u>
Cash flows from investing activities:	
Betterments made	(630,441)
Equipment purchased	(<u>1,893</u>)
Net cash used in investing activities	(<u>632,334</u>)
Cash flows from financing activities:	
Debt repayment	(<u>144,883</u>)
Net cash used in financing activities	(<u>144,883</u>)
Net change in cash	(351,722)
Cash, beginning of year	<u>772,520</u>
Cash, end of year	\$ <u><u>420,798</u></u>
Supplemental cash flow information:	
Interest paid	\$ <u><u>492,527</u></u>

See Independent Auditors' Report and notes to the financial statements.

FEOFFEES OF THE GRAMMAR SCHOOL

Notes to Financial Statements

(1) Summary of significant accounting policies

(a) Nature of organization

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 William Paine, an original member of the 1650 committee.

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

Because the Trust designates its net earnings to be for the benefit of the children of the Ipswich Public Schools, with no benefits accruing to its trustees, it has considered itself to be a tax-exempt organization. However until 1997 no federal or state tax returns were filed by the Trust, as it was the position of the Trust that it was a “quasi-public trust” and therefore was not technically 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 classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) Estimates

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

FEOFFEEES OF THE GRAMMAR SCHOOL

Notes to Financial Statements

(1) Continued

(d) Property, betterments and equipment

Sewer, electrical betterments and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Betterments and equipment that extend the useful lives of assets are capitalized. Betterments are being amortized using the straight-line method over estimated useful lives ranging from 25 to 50 years. Equipment is being depreciated over estimated useful lives ranging from 5 to 10 years.

The land on which the Feoffees operates was acquired in 1650. The land has no determinable value and has not been recorded by the Trust. The community house used by the tenants of the Trust also has no determinable value and has not been recorded by the Trust.

(2) Related party receivables

The Trust formed a limited liability company to operate and maintain the common wastewater collection system for the real property described in Note 1. Included in accounts receivable at June 30, 2007 is a receivable of \$83,382 from that entity.

(3) Long-term debt

Long-term debt as of June 30, consists of the following:

On June 7, 2005 the Trust entered into a construction/permanent term loan with the Ipswich Cooperative Bank (which has since merged with the Institution for Savings Bank) to provide financing for the construction of sewer lines and a centralized holding tank, pump-out facility and related infrastructure work. The maximum amount of the loan was set at \$6,483,000. \$2,000,000 was advanced on June 7, 2005 for work performed prior to the loan closing. During the construction period (nine months maximum) interest was charged at the Wall Street Journal Prime Rate plus 1% on a floating basis. On March 7, 2006 the construction loan converted into a permanent loan with a maturity date of March 7, 2026. The loan is a five (5) year adjustable rate loan with fixed interest based on the Federal Home Loan Bank of Boston Classic Advance Rate plus 2.75%, with a floor of 6.75%. The initial rate on this loan is 7.61%. The note is collateralized by all leases and rents and betterment fees on the Trust property. The current portion of this note at June 30, 2007 is \$160,500.

Maturities of long-term debt at June 30, 2007 is as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 160,500
2009	170,000
2010	183,000
2011	197,000
2012	212,000
Thereafter	<u>5,380,693</u>
Total	\$ <u>6,303,193</u>

FEOFFEES OF THE GRAMMAR SCHOOL

Notes to Financial Statements

(4) Contingencies and litigation

There is pending litigation regarding alleged right of occupancy of certain tenants located at Little Neck in Ipswich, Massachusetts.

There is a bank account owned jointly by the Trust and an association known as the Little Neck Legal Action Committee. The account was established after June 30, 2007 under a Stipulation Agreement entered into by the parties on March 6, 2007. Trustees of this account are legal counsel for each of the parties. This account is not reflected on the financial statements.