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FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 2004

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 statements of assets, liabilities, and net assets - cash basis of **Feoffees of the Grammar School** (a non-profit organization) as of June 30, 2004, 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 its land at its assessed value and that, if generally accepted accounting principles had been followed, the land 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, 2004, and its activities for the year then ended, on the basis of accounting described in Note 1.



November 9, 2004

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FEOFFEEES OF THE GRAMMAR SCHOOL**Statement of Assets, Liabilities, and Net Assets - Cash Basis**

As of June 30, 2004

Assets

Cash - operating	\$ 6,736
Cash – savings	261,266
Cash – savings - restricted	-
Land and buildings at assessed value	<u>15,419,900</u>
Total Assets	\$ <u>15,687,902</u>

Liabilities and Net Assets

Liabilities	\$ _____
Total liabilities	_____
Net assets:	
Unrestricted	15,637,902
Restricted	<u>50,000</u>
Total net assets	<u>15,687,902</u>
Total Liabilities and Net Assets	\$ <u>15,687,902</u>

See Independent Auditors' Report.

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

FEOFFES OF THE GRAMMAR SCHOOL**Statement of Activities - Cash Basis**

For the Year Ended June 30, 2004

	<u>Undesignated</u>	<u>Board Designated</u>	<u>Total</u>
Support and Revenue:			
Buildings, home and land collections	\$ 475,303	\$ -	\$ 475,303
Rents	493,315	-	493,315
Interest income	<u>7,787</u>	<u>-</u>	<u>7,787</u>
 Total support and revenue	 <u>976,405</u>	 <u>-</u>	 <u>976,405</u>
Expenses:			
Real estate taxes	493,397	-	493,397
Gift to Town of Ipswich Public Schools	308,545	-	308,545
Alternative wastewater plan	140,051	-	140,051
Horticultural and landscaping services	19,951	-	19,951
Legal	17,243	-	17,243
Mud slide repairs	12,816	-	12,816
Salaries	9,600	-	9,600
Consulting - DEP enforcement	9,365	-	9,365
Underground electric engineering services	9,000	-	9,000
Road maintenance	6,895	-	6,895
Land appraisal services	6,856	-	6,856
Insurance	6,244	-	6,244
Police details	5,945	-	5,945
Maintenance and cleaning	5,346	-	5,346
Accounting	2,100	-	2,100
Dock removal and storage	1,500	-	1,500
Office expense	1,209	-	1,209
Beach sampling	665	-	665
Consulting-wastewater plan	650	-	650
Meetings	331	-	331
Telephone	287	-	287
State fees	<u>125</u>	<u>-</u>	<u>125</u>
 Total expenses	 <u>1,058,121</u>	 <u>-</u>	 <u>1,058,121</u>
 Change in net assets	 (81,716)	 -	 (81,716)
 Net assets, beginning of year	 <u>15,719,618</u>	 <u>50,000</u>	 <u>15,769,618</u>
 Net assets, end of year	 <u>\$ 15,637,902</u>	 <u>\$ 50,000</u>	 <u>\$ 15,687,902</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these 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 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.

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 related assets when received rather than when earned and recognizes expenses when paid rather than when the obligation is incurred.

(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.