

Morris Goldseker Foundation Of Maryland, Inc.

Financial Report
December 31, 2007

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Morris Goldseker Foundation of Maryland, Inc.
Baltimore, Maryland

We have audited the accompanying statements of financial position of Morris Goldseker Foundation of Maryland, Inc. (the Foundation) as of December 31, 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 audits.

We conducted our audits 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 audits provide 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 Morris Goldseker Foundation of Maryland, Inc. as of December 31, 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.

McGladrey & Pullen, LLP

Baltimore, Maryland
October 15, 2008

Morris Goldseker Foundation Of Maryland, Inc.

Statements Of Financial Position
December 31, 2007 And 2006

Assets	2007	2006
Cash (Note 1)	\$ 147,175	\$ 60,807
Investments, at market (Notes 1, 3, and 4)	110,229,590	103,073,781
Federal excise tax recoverable (Note 1)	101,128	-
Other assets (Note 1)	53,962	627
Total assets	\$ 110,531,855	\$ 103,135,215
Liabilities And Net Assets		
Liabilities		
Accrued expenses	\$ 48,468	\$ 67,518
Federal excise tax payable (Note 1)	-	35,937
Deferred federal excise tax payable (Note 1)	299,102	250,123
Total liabilities	347,570	353,578
Commitments (Notes 2, 4, and 5)		
Net Assets - Unrestricted (Note 1)	110,184,285	102,781,637
Total liabilities and net assets	\$ 110,531,855	\$ 103,135,215

See Notes To Financial Statements.

Morris Goldseker Foundation Of Maryland, Inc.

Statements Of Activities

Years Ended December 31, 2007 And 2006

	2007	2006
Unrestricted Net Assets		
Revenue and gains (Note 1):		
Investment income	\$ 2,485,474	\$ 1,799,030
Net gain on investments (Note 3)	10,464,371	8,932,636
Total revenue and gains	<u>12,949,845</u>	<u>10,731,666</u>
Expenses:		
Program services:		
Grants	4,001,664	3,582,632
Foundation administrative expenses related to grant-making (Note 5)	814,020	930,636
Total program services	<u>4,815,684</u>	<u>4,513,268</u>
Supporting services, management, and general:		
General and administrative expenses related to revenue activity (Note 5)	534,599	497,830
Provision for federal excise tax (Note 6)	196,914	219,738
Total management and general	<u>731,513</u>	<u>717,568</u>
Total expenses	<u>5,547,197</u>	<u>5,230,836</u>
Increase in unrestricted net assets	7,402,648	5,500,830
Net assets at beginning of year (unrestricted)	<u>102,781,637</u>	<u>97,280,807</u>
Net assets at end of year (unrestricted)	<u><u>\$ 110,184,285</u></u>	<u><u>\$ 102,781,637</u></u>

See Notes To Financial Statements.

Morris Goldseker Foundation Of Maryland, Inc.

Statements Of Cash Flows
Years Ended December 31, 2007 And 2006

	2007	2006
Cash Flows From Operating Activities		
Increase in unrestricted net assets	\$ 7,402,648	\$ 5,500,830
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:		
Net gain on investments	(10,464,371)	(8,932,636)
Deferred federal excise tax	48,979	(13,127)
Changes in assets and liabilities:		
(Increase) decrease in:		
Other assets	(53,335)	(205)
Federal excise tax receivable	(101,128)	-
Increase (decrease) in:		
Accrued expenses	(19,050)	(8,484)
Federal excise tax payable	(35,937)	(41,135)
Net cash used in operating activities	<u>(3,222,194)</u>	<u>(3,494,757)</u>
Cash Flows From Investing Activities		
Proceeds from sales and distributions from investments	57,916,333	71,209,337
Purchases of investments	(54,607,771)	(67,715,147)
Net cash provided by investing activities	<u>3,308,562</u>	<u>3,494,190</u>
Net increase (decrease) in cash	86,368	(567)
Cash at beginning of year	<u>60,807</u>	<u>61,374</u>
Cash at end of year	<u><u>\$ 147,175</u></u>	<u><u>\$ 60,807</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for federal excise tax	<u><u>\$ 285,000</u></u>	<u><u>\$ 274,000</u></u>

See Notes To Financial Statements.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activity: Morris Goldseker Foundation of Maryland, Inc. (the Foundation) was organized and incorporated on May 8, 1973, for the purpose of promoting charitable undertakings.

A summary of the Foundation's significant accounting policies follows:

Financial statement presentation: The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2007 and 2006, the Foundation had only unrestricted net assets.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and concentrations of credit risk: The Foundation maintains its cash in bank deposit accounts which, at times due to pay out obligations, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash.

Investments:

Marketable securities: Marketable securities, consisting predominantly of stocks, bonds, U.S. Treasury obligations, and other short-term investments, are stated at market value. Cost is calculated as the price paid to acquire investment securities. Market value is based on published quoted market prices. Realized and unrealized gains and losses are recognized during the period in which they occur.

Alternative investments: Alternative investments, consisting predominantly of investments in certain managed hedge funds and real estate partnerships, are valued at fair value as determined in good faith by the managers of the respective investment.

Investment in partnership: The investment in The Baltimore Fund, LLC is recorded under the equity method of accounting, whereby, the investment is increased by capital contributions and the Foundation's proportional share of the partnership's income and is reduced by distributions and the Foundation's proportional share of the partnership's losses. (See Note 4.)

The Foundation invests in professionally managed portfolios that may contain common shares and bonds of publicly-traded companies, U.S. Government obligations, mutual funds, money market funds, and various alternative investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Foundation's investments have likely incurred a significant decline in fair value since December 31, 2007.

Furniture and equipment: Furniture and equipment are recorded at cost. The Foundation capitalizes all items over \$1,000 that have a useful life greater than one year. Depreciation is computed utilizing the straight-line method over the estimated useful lives of five to ten years. All of the Foundation's furniture and equipment are fully depreciated. Accumulated depreciation was \$19,058 as of December 31, 2007 and 2006.

Grants: An unconditional promise to give (grant commitment) is recognized as a payable and corresponding grant expense in the year the promise or commitment is made. A conditional promise to give, which depends on the occurrence of a specified future and uncertain event, is not recognized until the condition has been met.

Federal income tax: The Foundation has been recognized by the Internal Revenue Service (IRS) as a private foundation exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is reflected in these financial statements.

Federal excise tax: Generally, private foundations are subject to a 2% (reduced to 1% if certain requirements are met) excise tax on investment income, as defined by the IRC.

Deferred federal excise taxes: Deferred federal excise taxes are determined based upon the estimated future excise tax effects of differences between the financial statement and excise tax bases of assets and liabilities, as measured by the current enacted excise tax rates. Deferred excise tax expense is the result of changes in the deferred excise tax assets and liabilities. Temporary differences which give rise to the deferred excise tax liability consist primarily of the recognition of unrealized gains which are not recognized for excise tax purposes.

Recent accounting pronouncements: In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. SFAS No. 157 is effective for fiscal years beginning November 15, 2007, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until fiscal years beginning after November 15, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on the Foundation's financial position, changes in net assets or cash flows.

Note 2. Distribution Requirement

The Foundation is required to distribute its minimum investment return in order to avoid an excise tax for failure to distribute income. The minimum investment return is an income equivalent which is essentially determined by multiplying the aggregate average fair market value of a private foundation's assets by 5%. The distribution requirement can be met by making qualifying distributions (grants and expenses for exempt purposes), incurring the current year's excise tax and utilizing any excess distribution carryovers.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 2. Distribution Requirement (Continued)

The following is an analysis of the distribution requirements and distributions made during the years ended December 31, 2007 and 2006:

	2007	2006
<u>Distribution requirement</u>		
Current year's distribution requirement	\$ 5,387,352	\$ 4,940,339
Prior year's remaining distribution requirement	<u>4,529,702</u>	<u>4,360,191</u>
	<u>9,917,054</u>	<u>9,300,530</u>
<u>Qualifying distributions</u>		
Current year's qualifying distributions	4,895,329	4,537,963
Current year's excise tax	<u>147,935</u>	<u>232,865</u>
	<u>5,043,264</u>	<u>4,770,828</u>
Remaining distribution requirement (must be distributed by December 31, 2008 and 2007, respectively).	<u><u>\$ 4,873,790</u></u>	<u><u>\$ 4,529,702</u></u>

Note 3. Investments

Investments consisted of the following at December 31, 2007 and 2006:

	2007		2006	
	Fair Market Value	Cost	Fair Market Value	Cost
Common stocks	\$ 57,930,663	\$ 36,124,961	\$ 50,458,993	\$ 30,626,885
Money market funds	3,829,483	3,829,483	9,384,573	9,384,573
Bonds and treasury notes	12,441,831	12,351,990	11,783,954	11,884,676
Alternative investments	<u>36,027,613</u>	<u>27,693,283</u>	<u>31,446,261</u>	<u>26,081,318</u>
	<u><u>\$ 110,229,590</u></u>	<u><u>\$ 79,999,717</u></u>	<u><u>\$ 103,073,781</u></u>	<u><u>\$ 77,977,452</u></u>

Net gains on investments consisted of the following for the years ended December 31, 2007 and 2006:

	2007	2006
Unrealized loss on marketable securities	\$ 5,133,532	\$ (1,228,697)
Realized gain on marketable securities	<u>5,330,839</u>	<u>10,161,333</u>
Net gain on investments	<u><u>\$ 10,464,371</u></u>	<u><u>\$ 8,932,636</u></u>

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 4. Commitments

Office space: The Foundation has a five-year lease agreement for office space that currently expires on April 30, 2012. The Foundation is responsible for its proportionate share of real estate taxes and operating expenses. Rent expense was \$52,487 and \$51,084 for 2007 and 2006, respectively. Future minimum rents due under the lease are as follows:

Years Ending December 31,	
2008	\$ 54,062
2009	55,684
2010	57,354
2011	59,075
2012	19,885
	<u>\$ 246,060</u>

Grants: In addition to the grants paid during the current period, the Foundation has conditional grant commitments scheduled for payment to specific organizations in the following years:

Years Ending December 31,	
2008	\$ 1,790,000
2009	1,187,500
2010	1,005,000
2011	10,000
	<u>\$ 3,992,500</u>

The Baltimore Fund, LLC: As part of its socially responsible investment portfolio, the Foundation has committed \$400,000 to The Baltimore Fund, LLC (Baltimore Fund). Baltimore Fund was organized to purchase, hold, and exercise the rights of ownership with respect to an investment in TRF Urban Growth Partners, L.P. (TRF). TRF provides loans to, or invests in, expanding businesses that provide quality opportunities for low- and middle-income urban workers in the Mid-Atlantic region, while seeking a positive return on its investments. As of December 31, 2007 and 2006, the Foundation has funded \$270,000 and \$262,500, respectively, of its \$400,000 commitment.

Loan guarantee: Healthy Neighborhoods, Inc. created a \$38 million privately-financed loan pool in 2005, whose purpose is to provide mortgage assistance to homeowners in selected Baltimore City neighborhoods (Healthy Neighborhoods). The Foundation and several other foundations have agreed to guarantee, over a ten-year period, the first 10% of losses on any loan that goes into default. The Foundation's \$400,000 guarantee represents 20% of the guarantee pool.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 5. Employee Pension Plans

The Foundation has an annuity retirement plan under IRC §403(b) that covers employees who meet certain eligibility requirements. Under the terms of the plan, employees may contribute pretax dollars toward the purchase of the annuity. The Foundation does not make matching contributions.

The Foundation established a defined benefit pension plan (the Plan) which covers all employees who have completed one year of service, as defined in the plan documents, and who have attained the age of 21. The Plan's policy is to fund accrued pension costs, including past service costs, under the aggregate cost method of valuation. This method establishes a normal cost which spreads the total unfunded cost of the plan as a level percentage of the future payroll of covered employees. The normal cost is adjusted each year to reflect the experience under the plan, automatically spreading gains or losses over future years. The determination of the normal cost and plan liabilities is made independently for each individual participant. An annual net allocation of the trust fund assets is made by accounting for each participant's employer contributions and benefits paid. The investment earnings are allocated in proportion to each participant's share of the total fund. The Plan's funding standard account meets the minimum funding requirements under the Employee Retirement Income Security Act of 1974 (ERISA).

As of January 1, 2006, the Foundation adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires that employers with defined benefit plans recognize the overfunded or underfunded status of a benefit plan as an asset or a liability in the statements of financial position. The cumulative effect of the change on prior years was insignificant.

The Foundation contributed \$75,000 and \$85,000 to the Plan for the years ended December 31, 2007 and 2006, respectively. The Foundation had pension income (expense) of \$8,405 and (\$80,306) for the years ended December 31, 2007 and 2006, respectively. The Foundation has an accrued pension benefit of \$53,962 for the year ended December 31, 2007, which is included in other assets on the statements of financial position. The Foundation had an accrued pension liability of \$33,558 for the year ended December 31, 2006, which is included in accrued expenses on the statements of financial position.

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 5. Employee Pension Plans (Continued)

The following table sets forth the pertinent information related to the Foundation's defined benefit plan:

	2007	2006
Employer contributions	\$ 75,000	\$ 85,000
Benefits paid	\$ -	\$ -
Fair value of plan assets at end of year	\$ 678,169	\$ 455,427
Projected benefit obligation	624,207	497,336
Funded status (plan assets less then benefit obligations)	\$ 53,962	\$ (41,909)
Accumulated benefit obligation	\$ 623,652	\$ 496,411
Net periodic benefit cost	\$ 52,022	\$ 53,264
Weighted-average assumptions used to determine benefit obligations as of December 31		
Discount rate	6.00%	6.00%
Average increase in future compensation levels	Excluded	Excluded
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31		
Discount rate	6.00%	6.00%
Expected long-term return on plan assets	6.00%	6.00%
Average increase in future compensation levels	Excluded	Excluded

The Foundation considers various factors in estimating the expected long-term rate of return on Plan assets. Among the factors considered include the historical long-term returns on Plan assets, the current and expected allocation of Plan assets, input from actuaries and investment consultants, and long-term inflation assumptions.

The Foundation's defined benefit Plan weighted-average asset allocations at December 31, 2007 and 2006, are as follows:

	2007	2006
Asset category		
Cash and money market	9%	1%
Equity securities	44%	44%
Fixed income	47%	55%
	100%	100%

Morris Goldseker Foundation Of Maryland, Inc.

Notes To Financial Statements

Note 5. Employee Pension Plans (Continued)

The Foundation's investment policy for its defined benefit plan is to balance risk and return using a diversified portfolio consisting primarily of high quality equity and fixed income securities. To accomplish this goal, the Plan's assets are actively managed by an outside investment manager with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The maturities of fixed income securities are monitored so there is sufficient liquidity to meet current benefit payment obligations. The Foundation's management provides oversight of the Plan investments and the performance of the investment manager.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending December 31,	Amount
2008	\$ 21,654
2009	42,867
2010	42,377
2011	41,831
2012	41,233
2013 to 2017	195,573

Note 6. Provision For Federal Excise Tax

The provision for federal excise tax was composed of the following for the years ended December 31, 2007 and 2006:

	2007	2006
Current federal excise tax	\$ 147,935	\$ 232,865
Deferred federal excise tax (benefit)	48,979	(13,127)
Provision for federal excise tax	<u>\$ 196,914</u>	<u>\$ 219,738</u>

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Supplementary Information

To the Board of Directors
Morris Goldseker Foundation of Maryland, Inc.
Baltimore, Maryland

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, which follows, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Baltimore, Maryland
October 15, 2008

Morris Goldseker Foundation Of Maryland, Inc.

Schedules Of Balance Sheets - Tax Accounting
December 31, 2007 And 2006

	2007		2006	
	Income Tax Basis	Market Value	Income Tax Basis	Market Value
Assets				
Investments				
Marketable securities	\$ 79,999,717	\$ 110,229,590	\$ 77,977,452	\$ 103,073,781
Other Assets				
Cash	147,175		60,807	
Federal excise tax recoverable	101,128		-	
Other assets	-		627	
Total other assets	248,303	302,265	61,434	61,434
Total assets	\$ 80,248,020	\$ 110,531,855	\$ 78,038,886	\$ 103,135,215
Liabilities And Fund Balance				
Liabilities				
Accrued expenses	\$ 48,468	\$ 48,468	\$ 33,972	\$ 67,518
Federal excise tax payable	-	-	35,937	35,937
Deferred federal excise tax payable	-	299,102	-	250,123
	48,468	347,570	69,909	353,578
Fund Balance				
Restricted to cover grant requirement	4,873,790		4,529,702	
Unrestricted	75,325,762		73,439,275	
Total fund balance	80,199,552	110,184,285	77,968,977	102,781,637
Total liabilities and fund balance	\$ 80,248,020	\$ 110,531,855	\$ 78,038,886	\$ 103,135,215

Morris Goldseker Foundation Of Maryland, Inc.

Schedules Of Revenue, Expenses, And Changes In Fund Balance - Tax Accounting
 Years Ended December 31, 2007 And 2006

	2007	2006
Revenue:		
Investment income	\$ 2,485,474	\$ 1,799,030
Net realized capital gains from sale of investments	5,330,839	10,161,333
Total revenue	7,816,313	11,960,363
Expenses		
General and administrative expenses related to revenue activity	534,599	497,830
Income before federal excise tax	7,281,714	11,462,533
Federal excise tax	147,935	232,865
Net income	7,133,779	11,229,668
Fund balance, beginning of year	77,968,977	71,257,272
Less:		
Foundation administrative expenses related to grant-making	901,540	935,331
Grants paid and qualifying distributions	4,001,664	3,582,632
	4,903,204	4,517,963
Fund balance, end of year	\$ 80,199,552	\$ 77,968,977

Morris Goldseker Foundation Of Maryland, Inc.

Schedules Of Payout Required By Internal Revenue Code (IRC) §4942
Years Ended December 31, 2007 And 2006

	2007	2006
Minimum investment return		
Market value of net assets (average during the year)	\$ 109,387,854	\$ 100,311,458
Cash held for charitable activities (1.5% allowance)	(1,640,818)	(1,504,672)
Adjusted aggregate market value of net assets	107,747,036	98,806,786
Minimum annual rate of return	5.0%	5.0%
Minimum investment return	\$ 5,387,352	\$ 4,940,339
Payout requirement		
Minimum investment return	\$ 5,387,352	\$ 4,940,339
Less federal excise tax	(147,935)	(232,865)
	5,239,417	4,707,474
Add prior year's grants and qualifying foundation expenses required to be paid out during the year	4,529,702	4,360,191
Less grants paid	(4,001,664)	(3,582,632)
Less qualifying foundation expenses	(901,540)	(935,331)
Less program related investments	(7,500)	(20,000)
Add recoveries of amounts treated as qualifying distributions	15,375	-
Grants and qualifying foundation expenses required during the next year	\$ 4,873,790	\$ 4,529,702