

CLEVELAND H. DODGE FOUNDATION, INC.

**FINANCIAL STATEMENTS
MODIFIED CASH BASIS**

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis	4
Statement of Revenues Collected, Expenses Paid and Changes in Net Assets - Modified Cash Basis	5-6
Notes to Financial Statement - Modified Cash Basis	7-10

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Cleveland H. Dodge Foundation, Inc.
Riverdale, New York**

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of the Cleveland H. Dodge Foundation, Inc. as of December 31, 2006, and the related statement of revenues collected, expenses paid and changes in net assets - modified cash basis for the year 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - modified cash basis of the Cleveland H. Dodge Foundation, Inc. as of December 31, 2006 and its revenues collected, expenses paid and changes in net assets - modified cash basis for the year then ended, on the basis of accounting described in Note 2.


RITCH, GREENBERG & HASSAN, P.C.
Certified Public Accountants

Shelton, Connecticut
November 8, 2007

CLEVELAND H. DODGE FOUNDATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2006

ASSETS	
CASH AND CASH EQUIVALENTS	<u>\$ 508,626</u>
INVESTMENTS	
United States Treasury obligations	7,709,385
Corporate obligations	1,780,101
Common stocks	36,041,923
Mutual fund	112,328
Cash and money market funds	<u>1,224,750</u>
TOTAL INVESTMENTS	<u>46,868,487</u>
PROPERTY AND EQUIPMENT	
Land	111,109
Land improvements	3,950
Building and improvements	902,682
Furniture and equipment	38,633
Antiques and art collection	<u>186,585</u>
	1,242,959
Less: Accumulated depreciation	<u>(596,304)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>646,655</u>
TOTAL ASSETS	<u>\$48,023,768</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Credit card payable	\$ 1,571
Payroll taxes payable	719
Excise tax payable	45,405
Security deposit	<u>2,500</u>
TOTAL LIABILITIES	<u>50,195</u>
NET ASSETS - UNRESTRICTED	<u>47,973,573</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$48,023,768</u>

The accompanying notes are an integral part of these statements.

**CLEVELAND H. DODGE FOUNDATION, INC.
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

REVENUES	
Contribution	\$ 500,000
Interest	525,764
Dividends	423,384
Rent	34,454
Miscellaneous	<u>390</u>
TOTAL REVENUES	<u>1,483,992</u>
 EXPENSES	
Programs	
Grants	1,654,588
Contributions	<u>97,400</u>
Total Programs	<u>1,751,988</u>
 Investment services	 <u>305,315</u>
 Occupancy	
Maintenance	20,400
Utilities	14,886
Property taxes	<u>11,928</u>
Total Occupancy	<u>47,214</u>
 Administrative	
Salaries and payroll taxes	178,562
Retirement	8,250
Insurance	13,162
Annual meeting expense	16,979
Office, web-site design and miscellaneous	12,038
Depreciation	43,924
Professional fees	3,700
Auto, travel, conferences, and meetings	46,492
Federal excise tax	<u>57,821</u>
Total Administrative	<u>380,928</u>
 TOTAL EXPENSES	 <u>2,485,445</u>
 CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	 <u>(1,001,453)</u>

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

**CLEVELAND H. DODGE FOUNDATION, INC.
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006**

OTHER CHANGES IN NET ASSETS

Net realized gain on sales of investments \$1,478,081

Net unrealized gain on investments 2,525,096

TOTAL OTHER CHANGES IN NET ASSETS 4,003,177

CHANGES IN NET ASSETS 3,001,724

NET ASSETS - BEGINNING OF YEAR 44,971,849

NET ASSETS - END OF YEAR **\$47,973,573**

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

CLEVELAND H. DODGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
DECEMBER 31, 2006

NOTE 1 - NATURE OF OPERATIONS

Cleveland H. Dodge Foundation, Inc. (The Foundation) was established in 1917. The purpose of The Foundation is to distribute its income and, when The Foundation so determines, principal or such property as The Foundation may from time to time possess, to recognized charitable organizations. All grants are authorized by the Board of Directors or the Executive Committee. The Foundation is supported by investment income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, The Foundation has not recognized receivables from investments, accounts payable to vendors, and their related effects on the changes in net assets in the accompanying financial statements.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues collected, expenses paid and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with maturities, when purchased, of three months or less to be cash equivalents.

Investments - Investments are carried at the quoted market value of the securities. Realized and unrealized gains and losses are included in the statement of revenues collected, expenses paid and changes in net assets as increases or decreases in the changes in net assets.

Income and Excise Taxes - The Foundation is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code. However, net investment income is taxed at 1 or 2 percent as an excise tax to the private foundation.

Use of 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.

Property and Equipment - Purchased property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is incurred in the results of operations. The Antique and Art Collection is reflected at appraised value at the date of acquisition.

CLEVELAND H. DODGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation - Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

Land improvements	10	years
Building and improvements	20 – 31.5	years
Furniture and equipment	5 – 10	years
Antiques and art collection	25	years

Financial Statement Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization 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.

Unrestricted Net Assets - Net assets consisting of resources that are not subject to donor-imposed restrictions and are used for general purposes.

Temporarily Restricted Net Assets - Net assets consisting of resources restricted by donors either for a particular purpose or stipulated time. When a donor restriction expires, that is, when the stipulated purpose restriction is accomplished or time expires, the temporarily restricted net assets are reclassified or released to unrestricted net assets. Contributions received with donor imposed restrictions that are met in the same year in which the contribution is received are reported as unrestricted net assets in the year of receipt. The Foundation does not have any temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets consisting of resources restricted by donors in perpetuity. Income from the assets held is available for either general or specific purposes, in accordance with donor stipulations. The Organization has no permanently restricted net assets.

NOTE 3 - INVESTMENTS

The Foundation investments as of December 31, 2006 are as follows:

	<u>Fair Value</u>	<u>Cost</u>
United States Treasury obligations	\$ 7,709,385	\$ 7,646,299
Corporation obligations	1,780,101	1,823,677
Common stocks	36,041,923	21,467,852
Mutual fund	112,328	93,522
Cash and money market funds	1,224,750	1,224,750
	<u>\$46,868,487</u>	<u>\$32,256,100</u>

**CLEVELAND H. DODGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
DECEMBER 31, 2006**

NOTE 3 - INVESTMENTS (Continued)

Components of investment return:	
Interest income	\$ 525,764
Dividend income	423,384
Net realized gains	1,478,081
Net unrealized gains	<u>2,525,096</u>
Total Investment Return	<u>\$ 4,952,325</u>

NOTE 4 - RETIREMENT

The Foundation has a commitment to pay a former employee \$9,000 per year for the remainder of her life.

NOTE 5 - GRANTS

The Foundation's policy is to record grants when paid. The following is a list of authorized and unpaid grants at December 31, 2006:

American Museum of Natural History, NYC	\$ 100,000
New York Botanical Garden	200,000
International House	30,000
American University of Beirut	500,000
Riverdale Neighborhood House	100,000
Springfield College	100,000
Near East Foundation	<u>100,000</u>
Total	<u>\$1,130,000</u>

These commitments are not reflected in the accompanying financial statements as an expense or liability.

Currently, The Foundation makes grants in five categories:

1. *Major Annual Grants* are made to three institutions that were either founded by a member of the Dodge Family or received founding support from the family at the time of inception.
2. *Regular Annual Grants* are made to a number of organizations that were supported by Cleveland H. Dodge during his lifetime and continue to be supported by members of the family. In rare instances, the Board of Directors have added a few agencies to this list as the nature of their activities has deemed fitting and appropriate to the objectives of the Founder.

CLEVELAND H. DODGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
DECEMBER 31, 2006

NOTE 5 - GRANTS (CONTINUED)

3. *Professional Fees and Grants* are made to a few organizations in the form of membership dues and support on an annual basis.
4. *Special Grants* are made to agencies and institutions that clearly fit The Foundation's guidelines for grant-making. Proposals are fully reviewed and considered by The Foundation's Executive Committee and later by its Board of Directors. In addition, priority is given to qualified agencies that have a family member directly involved with its activities.
5. *Matching Plan Grants* are made to qualified institutions which have received donations from direct descendants of Cleveland H. Dodge. The Executive Committee oversees the administration of the Matching Plans and makes recommendations to the Board.

Grants are made in two categories, known as Plan A and Plan B.

- **Plan A** divides the descendants of Cleveland H. Dodge into thirteen family units each with a unit-chosen head who is responsible for coordinating matching gifts made by members of the unit. Notification of the gifts granted which are to be matched must reach The Foundation on or before November 1st of the year in which the matching gift is to be made. Under special circumstances, extensions can be arranged through The Foundation's office.
- **Plan B** has been instituted by the Board of Directors to encourage Cleveland H. Dodge descendants to take an active volunteer role in the support, direction and administration of charitable institutions. This plan provides for The Foundation to contribute two dollars for each dollar donated to an organization under the following circumstances:
 - The descendant's personal minimum gift to be matched is \$250.
 - The descendant who makes the gift is or has been actively engaged as a volunteer in the affairs of the recipient institution within the last twelve months.

The total matching amount of Plan B to be granted by The Foundation shall not exceed \$300,000. In case applications come to more than \$300,000, the grants and amounts to be matched will be determined by the Executive Committee, using the same procedures and guidelines applied to consideration of special grants. This amount can be increased with Board approval. Requests for Plan B grants must be received at The Foundation before October 1st of the year in which the matching gift is to be made.

CLEVELAND H. DODGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MODIFIED CASH BASIS
DECEMBER 31, 2006

NOTE 5 - GRANTS (CONTINUED)

Following is a schedule of the Grants paid for the year ended December 31, 2006:

Major annual	\$ 55,000
Regular annual	170,500
Professional fees and grants	9,280
Special Grants	1,070,000
Matching Plan A	90,443
Matching Plan B	<u>259,365</u>
Total Grants	<u>\$1,654,588</u>

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Foundation maintains a single bank account. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at December 31, 2006 exceeded federally insured limits by \$860,719. The off-balance-sheet risk to the Foundation was \$860,719 for the year ended December 31, 2006.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Organization entered into a lease of a vehicle whereby monthly payments of \$528 per month are to be made through May of 2007. Rental expense was \$6,336 for the year ended December 31, 2006. The future minimum payments are as follows:

2007	<u>\$ 2,640</u>
------	------------------------

NOTE 8 - RELATED PARTY TRANSACTION

During the year, the Foundation received an unrestricted contribution in the amount of \$500,000 from a Director of the Foundation.