

Form **990**

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No. 1545-0047

2007

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2007 calendar year, or tax year beginning **JUL 1, 2007** and ending **JUN 30, 2008**

<p>B Check if applicable:</p> <p><input type="checkbox"/> Address change</p> <p><input type="checkbox"/> Name change</p> <p><input type="checkbox"/> Initial return</p> <p><input type="checkbox"/> Termination</p> <p><input type="checkbox"/> Amended return</p> <p><input type="checkbox"/> Application pending</p>	<p>Please use IRS label or print or type. See Specific Instructions.</p>	<p>C Name of organization COMMUNITY FOUNDATION OF THE EASTERN SHORE, INC.</p> <p>Number and street (or P.O. box if mail is not delivered to street address) Room/suite 1324 BELMONT AVENUE 401</p> <p>City or town, state or country, and ZIP + 4 SALISBURY, MD 21804</p>	<p>D Employer identification number 52-1326014</p> <p>E Telephone number 410-742-9911</p> <p>F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶</p>
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• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

Hand I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates ▶ **N/A**

H(c) Are all affiliates included? **N/A** Yes No
(If "No," attach a list.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Group Exemption Number ▶ **N/A**

G Website: ▶ **WWW.CFES.ORG**

J Organization type (check only one) 501(c) (**3**) ◀ (insert no.) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **23,030,916.**

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

	<p>1 Contributions, gifts, grants, and similar amounts received:</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:5%;">a Contributions to donor advised funds</td> <td style="width:5%;">1a</td> <td style="width:40%;"></td> <td style="width:10%; text-align: right;">549,166.</td> <td style="width:5%;"></td> <td style="width:35%;"></td> </tr> <tr> <td>b Direct public support (not included on line 1a)</td> <td>1b</td> <td></td> <td style="text-align: right;">3,194,112.</td> <td></td> <td></td> </tr> <tr> <td>c Indirect public support (not included on line 1a)</td> <td>1c</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>d Government contributions (grants) (not included on line 1a)</td> <td>1d</td> <td></td> <td style="text-align: right;">200,000.</td> <td></td> <td></td> </tr> <tr> <td>e Total (add lines 1a through 1d) (cash \$ 3,943,278. noncash \$)</td> <td>1e</td> <td></td> <td></td> <td></td> <td style="text-align: right;">3,943,278.</td> </tr> </table>	a Contributions to donor advised funds	1a		549,166.			b Direct public support (not included on line 1a)	1b		3,194,112.			c Indirect public support (not included on line 1a)	1c					d Government contributions (grants) (not included on line 1a)	1d		200,000.			e Total (add lines 1a through 1d) (cash \$ 3,943,278. noncash \$)	1e				3,943,278.				
a Contributions to donor advised funds	1a		549,166.																																
b Direct public support (not included on line 1a)	1b		3,194,112.																																
c Indirect public support (not included on line 1a)	1c																																		
d Government contributions (grants) (not included on line 1a)	1d		200,000.																																
e Total (add lines 1a through 1d) (cash \$ 3,943,278. noncash \$)	1e				3,943,278.																														
	2 Program service revenue including government fees and contracts (from Part VII, line 93)			2																															
	3 Membership dues and assessments			3																															
	4 Interest on savings and temporary cash investments			4	29,156.																														
	5 Dividends and interest from securities			5	3,671,874.																														
Revenue	6 a Gross rents	6a																																	
	b Less: rental expenses	6b																																	
	c Net rental income or (loss). Subtract line 6b from line 6a	6c																																	
	7 Other investment income (describe ▶ ADMINISTRATIVE FEES)	7			109,077.																														
	8 a Gross amount from sales of assets other than inventory		(A) Securities		(B) Other																														
	b Less: cost or other basis and sales expenses		8a	15,277,531.	8b																														
	c Gain or (loss) (attach schedule)		8c	15,213,090.	8c	64,441.																													
d Net gain or (loss). Combine line 8c, columns (A) and (B)	8d		STMT 1		64,441.																														
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>																																			
a Gross revenue (not including \$ of contributions reported on line 1b)	9a																																		
b Less: direct expenses other than fundraising expenses	9b																																		
c Net income or (loss) from special events. Subtract line 9b from line 9a	9c																																		
	10 a Gross sales of inventory, less returns and allowances	10a																																	
	b Less: cost of goods sold	10b																																	
	c Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a	10c																																	
	11 Other revenue (from Part VII, line 103)			11																															
	12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11			12	7,817,826.																														
Expenses	13 Program services (from line 44, column (B))			13	3,134,068.																														
	14 Management and general (from line 44, column (C))			14	654,502.																														
	15 Fundraising (from line 44, column (D))			15	1,480.																														
	16 Payments to affiliates (attach schedule)			16																															
	17 Total expenses. Add lines 16 and 44, column (A)	17			3,790,050.																														
Net Assets	18 Excess or (deficit) for the year. Subtract line 17 from line 12	18			4,027,776.																														
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19			56,055,214.																														
	20 Other changes in net assets or fund balances (attach explanation) SEE STATEMENT 2	20			-4,992,866.																														
	21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21			55,090,124.																														

**COMMUNITY FOUNDATION OF THE
EASTERN SHORE, INC.**

Form 990 (2007)

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**Part II Statement of
Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ <u>1067834</u> . noncash \$ <u>0</u> .) If this amount includes foreign grants, check here <input type="checkbox"/>			STATEMENT 4	
22a	1,067,834.	1,067,834.		
22b Other grants and allocations (attach schedule) (cash \$ <u>1848332</u> . noncash \$ <u>0</u> .) If this amount includes foreign grants, check here <input type="checkbox"/>			STATEMENT 5	
22b	1,848,332.	1,848,332.		
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A	106,000.	0.	106,000.	0.
25b Compensation of former officers, directors, key employees, etc. listed in Part V-B	0.	0.	0.	0.
25c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c	278,881.	30,192.	248,689.	
27 Pension plan contributions not included on lines 25a, b, and c	13,491.	1,145.	12,346.	
28 Employee benefits not included on lines 25a - 27	32,135.	3,137.	28,998.	
29 Payroll taxes	27,399.	2,310.	25,089.	
30 Professional fundraising fees				
31 Accounting fees	13,000.		13,000.	
32 Legal fees				
33 Supplies	11,100.	549.	10,551.	
34 Telephone	3,896.		3,896.	
35 Postage and shipping	11,874.		11,247.	627.
36 Occupancy	43,321.		43,321.	
37 Equipment rental and maintenance				
38 Printing and publications	20,856.	4,681.	15,322.	853.
39 Travel	14,123.	3,246.	10,877.	
40 Conferences, conventions, and meetings	24,549.	6,196.	18,353.	
41 Interest	8,107.		8,107.	
42 Depreciation, depletion, etc. (attach schedule)	35,968.		35,968.	
43 Other expenses not covered above (itemize):				
a				
b				
c				
d				
e				
f				
g SEE STATEMENT 3	229,184.	166,446.	62,738.	
44 Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	3,790,050.	3,134,068.	654,502.	1,480.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A ; (ii) the amount allocated to Program services \$ N/A ;
 (iii) the amount allocated to Management and general \$ N/A ; and (iv) the amount allocated to Fundraising \$ N/A

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► SEE STATEMENT 6	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	
a COMMUNITY DEVELOPMENT - TO ASSIST VARIOUS ORGANIZATIONS IN PRESERVING AND DEVELOPING THE COMMUNITY	
(Grants and allocations \$ 200,675.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	200,675.
b EDUCATION - TO ASSIST VARIOUS SCHOOLS, COLLEGES, UNIVERSITIES AND LIBRARIES WITH FINANCIAL SUPPORT AND SCHOLARSHIPS	
(Grants and allocations \$ 690,423.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	690,423.
c HUMAN SERVICES - TO ASSIST VARIOUS ORGANIZATIONS IN PROVIDING EMERGENCY AND SOCIAL SERVICES TO THE COMMUNITY	
(Grants and allocations \$ 880,001.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	880,001.
d HEALTH - TO ASSIST VARIOUS HEALTH RELATED GROUPS IN PROMOTING THE GENERAL WELFARE AND WELL BEING OF THE COMMUNITY	
(Grants and allocations \$ 612,371.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	612,371.
e Other program services (attach schedule) SEE STATEMENT 7	
(Grants and allocations \$ 532,696.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	750,598.
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►	3,134,068.

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Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
Assets	45 Cash - non-interest-bearing	24,962.	45	11,784.
	46 Savings and temporary cash investments	2,502,418.	46	2,004,610.
	47 a Accounts receivable			
	b Less: allowance for doubtful accounts		47c	
	48 a Pledges receivable	190,717.		
	b Less: allowance for doubtful accounts		48c	190,717.
	49 Grants receivable		49	
	50 a Receivables from current and former officers, directors, trustees, and key employees		50a	
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)		50b	
	51 a Other notes and loans receivable			
	b Less: allowance for doubtful accounts		51c	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges	10,371.	53	8,417.
	54 a Investments - publicly-traded securities STMT 11 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	65,782,332.	54a	64,080,338.
	b Investments - other securities		54b	
55 a Investments - land, buildings, and equipment: basis				
b Less: accumulated depreciation		55c		
56 Investments - other		56		
57 a Land, buildings, and equipment: basis	1,391,799.			
b Less: accumulated depreciation STMT 8	96,102.			
58 Other assets, including program-related investments (describe SEE STATEMENT 9)	90,026.	58	620,312.	
59 Total assets (must equal line 74). Add lines 45 through 58	68,494,576.	59	68,211,875.	
Liabilities	60 Accounts payable and accrued expenses	22,428.	60	41,299.
	61 Grants payable		61	
	62 Deferred revenue		62	10,000.
	63 Loans from officers, directors, trustees, and key employees		63	
	64 a Tax-exempt bond liabilities		64a	
	b Mortgages and other notes payable		64b	
	65 Other liabilities (describe SEE STATEMENT 10)	12,416,934.	65	13,070,452.
66 Total liabilities. Add lines 60 through 65	12,439,362.	66	13,121,751.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	18,999,854.	67	15,415,335.
	68 Temporarily restricted		68	511,952.
	69 Permanently restricted	37,055,360.	69	39,162,837.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)	56,055,214.	73	55,090,124.	
74 Total liabilities and net assets/fund balances. Add lines 66 and 73	68,494,576.	74	68,211,875.	

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Part VI Other Information <i>(continued)</i>		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82b <u> N/A </u>		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		
	84a <u> N/A </u>		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
	84b <u> N/A </u>		
85 a	501(c)(4), (5), or (6). Were substantially all dues nondeductible by members?		
	85a <u> N/A </u>		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
	85b <u> N/A </u>		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c	Dues, assessments, and similar amounts from members	85c	N/A
d	Section 162(e) lobbying and political expenditures	85d	N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
	85g <u> N/A </u>		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
	85h <u> N/A </u>		
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12	86a	N/A
b	Gross receipts, included on line 12, for public use of club facilities	86b	N/A
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders	87a	N/A
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	N/A
88 a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI		X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 <u> 0. </u> ; section 4912 <u> 0. </u> ; section 4955 <u> 0. </u>		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958	<u> 0. </u>	
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization	<u> 0. </u>	
e	All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
f	All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
g	For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		X
90 a	List the states with which a copy of this return is filed ▶ MD		
b	Number of employees employed in the pay period that includes March 12, 2007	90b	7
91 a	The books are in care of ▶ SPICER BELL Telephone no. ▶ 410-742-9911 Located at ▶ 1324 BELMONT AVENUE #401, SALISBURY, MD ZIP + 4 ▶ 21804		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
	If "Yes," enter the name of the foreign country ▶ N/A		
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1 , Report of Foreign Bank and Financial Accounts.		

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Part VI	Other Information <i>(continued)</i>		Yes	No
c At any time during the calendar year, did the organization maintain an office outside of the United States?		91c		<input checked="" type="checkbox"/>
If "Yes," enter the name of the foreign country N/A				
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here		92		<input type="checkbox"/>
and enter the amount of tax-exempt interest received or accrued during the tax year				N/A

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a					
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	29,156.	
96 Dividends and interest from securities			14	3,671,874.	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income			14	109,077.	
100 Gain or (loss) from sales of assets other than inventory			18	64,441.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		3,874,548.	0.
105 Total (add line 104, columns (B), (D), and (E))					3,874,548.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.

Part VIII	Relationship of Activities to the Accomplishment of Exempt Purposes <i>(See the instructions.)</i>
Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
▼	

Part IX	Information Regarding Taxable Subsidiaries and Disregarded Entities <i>(See the instructions.)</i>			
(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X	Information Regarding Transfers Associated with Personal Benefit Contracts <i>(See the instructions.)</i>
(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).	

Form **990** (2007)

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13). **N/A**

				Yes	No
106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.					
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	
a	-----				
b	-----				
c	-----				
Totals					

				Yes	No
107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.					
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	
a	-----				
b	-----				
c	-----				
Totals					

		Yes	No
108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: _____ Date: _____

SPICER BELL, PRESIDENT
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: _____ Date: _____ Check if self-employed: Preparer's SSN or PTIN (See Gen. Inst. X): _____

Firm's name (or yours if self-employed), address, and ZIP + 4: **TRICE GEARY & MYERS LLC**
955 MT HERMON RD
SALISBURY, MD 21804-5105

EIN: _____ Phone no.: **410-742-1328**

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

OMB No. 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

2007

Department of the Treasury
Internal Revenue Service

Supplementary Information-(See separate instructions.)
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization COMMUNITY FOUNDATION OF THE EASTERN SHORE, INC.	Employer identification number 52 1326014
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Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
<u>GARY MARTIN</u> 1324 BELMONT AVENUE, SALISBURY, MD 21	CFO 40.00	65,591.	3,935.	
<u>GEE WILLIAMS</u> 1324 BELMONT AVENUE, SALISBURY, MD 21	MARKETING DIRECTOR 40.00	55,429.	3,325.	

Total number of other employees paid over \$50,000 ▶	0			

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over \$50,000 for professional services ▶	0	

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of other contractors receiving over \$50,000 for other services ▶	0	

COMMUNITY FOUNDATION OF THE

Part III Statements About Activities (See page 2 of the instructions.)

		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a	Sale, exchange, or leasing of property?	2a	X
b	Lending of money or other extension of credit?	2b	X
c	Furnishing of goods, services, or facilities?	2c	X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V-A, FORM 990	2d	X
e	Transfer of any part of its income or assets?	2e	X
3 a	Did the organization make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how the organization determines that recipients qualify to receive payments.) SEE STATEMENT 13	3a	X
b	Did the organization have a section 403(b) annuity plan for its employees?	3b	X
c	Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," attach a detailed statement	3c	X
d	Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?	3d	X
4 a	Did the organization maintain any donor advised funds? If "Yes," complete lines 4b through 4g. If "No," complete lines 4f and 4g	4a	X
b	Did the organization make any taxable distributions under section 4966?	4b	X
c	Did the organization make a distribution to a donor, donor advisor, or related person?	4c	X
d	Enter the total number of donor advised funds owned at the end of the tax year	90	
e	Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year	15075041.	
f	Enter the total number of separate funds or accounts owned at the end of the year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts	0.	
g	Enter the aggregate value of assets in all funds or accounts included on line 4f at the end of the tax year	0.	

Part IV Reason for Non-Private Foundation Status (See pages 4 through 8 of the instructions.)

I certify that the organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization:
 Type I Type II Type III-Functionally Integrated Type III-Other

Provide the following information about the supported organizations. (See page 8 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total					▶

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 8 of the instructions.)

COMMUNITY FOUNDATION OF THE

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) **Use cash method of accounting.**

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2005	(c) 2004	(d) 2003	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	5,074,272.	2,128,923.	4,469,597.	6,030,319.	17,703,111.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, income from similar sources, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	3,076,965.	2,289,390.	1,402,394.	1,206,647.	7,975,396.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22	8,151,237.	4,418,313.	5,871,991.	7,236,966.	25,678,507.
24 Line 23 minus line 17	8,151,237.	4,418,313.	5,871,991.	7,236,966.	25,678,507.
25 Enter 1% of line 23	81,512.	44,183.	58,720.	72,370.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 513,570.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2003 through 2006 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 2,267,774.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 25,678,507.
d Add: Amounts from column (e) for lines: 18 <u>7,975,396.</u> 19 _____ 22 _____ 26b <u>2,267,774.</u>					26d 10,243,170.
e Public support (line 26c minus line 26d total)					26e 15,435,337.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 60.1099%
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: N/A (2006) _____ (2005) _____ (2004) _____ (2003) _____					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: N/A (2006) _____ (2005) _____ (2004) _____ (2003) _____					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					27c N/A
d Add: Line 27a total _____ and line 27b total _____					27d N/A
e Public support (line 27c total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h N/A %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2003 through 2006, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

NONE

Part V Private School Questionnaire (See page 9 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.) _____ _____ _____		
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.) _____ _____	32d	
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities?	33h	
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.) _____ _____		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended?	34b	
	If you answered "Yes" to either 34a or b, please explain using an attached statement.		
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	35	

COMMUNITY FOUNDATION OF THE

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 11 of the instructions.)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Affiliated group totals	(b) To be completed for all electing organizations
		N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36		
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37		
38 Total lobbying expenditures (add lines 36 and 37)	38		
39 Other exempt purpose expenditures	39		
40 Total exempt purpose expenditures (add lines 38 and 39)	40		
41 Lobbying nontaxable amount. Enter the amount from the following table -			
If the amount on line 40 is -	The lobbying nontaxable amount is -		
Not over \$500,000	20% of the amount on line 40		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	41	
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
Over \$17,000,000	\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42		
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43		
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44		

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50 on page 13 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2007	(b) 2006	(c) 2005	(d) 2004	(e) Total
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 14 of the instructions.)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h.)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (Add lines c through h.)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

FORM 990 GAIN (LOSS) FROM PUBLICLY TRADED SECURITIES STATEMENT 1

DESCRIPTION	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	NET GAIN OR (LOSS)
INVESTMENT SECURITIES	15,277,531.	15,213,090.	0.	64,441.
TO FORM 990, PART I, LINE 8	15,277,531.	15,213,090.	0.	64,441.

FORM 990 OTHER CHANGES IN NET ASSETS OR FUND BALANCES STATEMENT 2

DESCRIPTION	AMOUNT
UNREALIZED LOSSES ON INVESTMENT SECURITIES	-4,992,866.
TOTAL TO FORM 990, PART I, LINE 20	-4,992,866.

FORM 990 OTHER EXPENSES STATEMENT 3

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
INSURANCE	2,232.		2,232.	
ADVERTISEMENTS	10,232.	9,584.	648.	
COMPUTER SUPPORT AND REPAIR	28,475.	6,480.	21,995.	
MISCELLANEOUS	9,511.		9,511.	
DUES & SUBSCRIPTIONS	11,694.	1,287.	10,407.	
PAYROLL				
ADMINISTRATION	1,764.	110.	1,654.	
BUILDING REPAIR & MAINTENANCE	7,038.		7,038.	
CONSULTANT	23,468.	18,750.	4,718.	
DEVELOPMENT EVENTS	3,829.		3,829.	
TEMPORARY PERSONNEL	706.		706.	
CONTRACT SERVICES	130,235.	130,235.		
TOTAL TO FM 990, LN 43	229,184.	166,446.	62,738.	

FORM 990	CASH GRANTS AND ALLOCATIONS TO OTHERS FROM DONOR ADVISED FUNDS	STATEMENT	4
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CLASS OF ACTIVITY/DONEE'S NAME AND ADDRESS	AMOUNT
SEE ATTACHED	1,067,834.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22A	1,067,834.
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FORM 990	CASH GRANTS AND ALLOCATIONS TO OTHERS	STATEMENT	5
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CLASS OF ACTIVITY/DONEE'S NAME AND ADDRESS	AMOUNT
SEE ATTACHED	1,848,332.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22B	1,848,332.
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FORM 990	STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE PART III	STATEMENT	6
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EXPLANATION

THE COMMUNITY FOUNDATION OF THE EASTERN SHORE HAS BEEN SERVING THE EASTERN SHORE OF MARYLAND COUNTIES SOMERSET, WICOMICO, AND WORCESTER FOR MORE THAN 20 YEARS. THE FOUNDATION'S MISSION IS TO STRENGTHEN THIS COMMUNITY BY BUILDING CHARITABLE FUNDS, MAXIMIZING BENEFITS TO DONORS, MAKING EFFECTIVE GRANTS AND PROVIDING LEADERSHIP TO ADDRESS COMMUNITY NEEDS. THE FOUNDATION HAS MORE THAN 380 FUNDS PROVIDING DONORS WITH A MYRIAD OF OPPORTUNITIES TO REALIZE THEIR CHARITABLE DREAMS. THE FOUNDATION'S FUND FOR COMMUNITY NEEDS PROVIDES MORE THAN \$150,000 EACH YEAR FOR CHARITIES LOCATED ON THE EASTERN SHORE. TO LEARN MORE ABOUT THE COMMUNITY FOUNDATION, LOG ON TO THEIR WEBSITE AT WWW.CFES.ORG.

THE COMMUNITY FOUNDATION OF THE EASTERN SHORE: FOR GOOD. FOR EVER.

FORM 990 OTHER PROGRAM SERVICES STATEMENT 7

DESCRIPTION OF OTHER PROGRAM SERVICES	GRANTS AND ALLOCATIONS	EXPENSES
ARTS AND CULTURE	56,112.	56,112.
RELIGION	187,485.	187,485.
ENVIRONMENT	35,034.	35,034.
YOUTH	153,526.	153,526.
CONSERVATION AND HISTORY PRESERVATION	76,682.	76,682.
OTHER	23,857.	241,759.
TOTAL TO FORM 990, PART III, LINE E	532,696.	750,598.

FORM 990 DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT STATEMENT 8

DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
FURNISHINGS AND EQUIPMENT	140,786.	76,889.	63,897.
BUILDING	1,235,617.	16,519.	1,219,098.
LEASEHOLD IMPROVEMENTS	15,396.	2,694.	12,702.
TOTAL TO FORM 990, PART IV, LN 57	1,391,799.	96,102.	1,295,697.

FORM 990 OTHER ASSETS STATEMENT 9

DESCRIPTION	BEGINNING OF YEAR	END OF YEAR
RECEIVABLE FROM UNITRUST	78,000.	107,000.
SECURITY DEPOSIT	12,026.	1,360.
RECEIVABLE FROM ESTATE IN SETTLEMENT		511,952.
TOTAL TO FORM 990, PART IV, LINE 58	90,026.	620,312.

FORM 990 OTHER LIABILITIES STATEMENT 10

DESCRIPTION	BEGINNING OF YEAR	END OF YEAR
AGENCY PAYABLES	12,346,323.	12,967,529.
CHARITABLE REMAINDER UNITRUST BENEFIT OBLIGATION	13,381.	6,612.
CHARITABLE GIFT ANNUITY OBLIGATION	57,230.	96,311.
TOTAL TO FORM 990, PART IV, LINE 65	12,416,934.	13,070,452.

FORM 990 NON-GOVERNMENT SECURITIES STATEMENT 11

SECURITY DESCRIPTION	COST/FMV	CORPORATE STOCKS	CORPORATE BONDS	OTHER PUBLICLY TRADED SECURITIES	TOTAL NON-GOV'T SECURITIES
MARKETABLE SECURITIES	FMV		23,185,712.		23,185,712.
MARKETABLE SECURITIES	FMV	40,894,626.			40,894,626.
TO FORM 990, LINE 54A, COL B		40,894,626.	23,185,712.		64,080,338.

FORM 990 PART V-A - LIST OF CURRENT OFFICERS, DIRECTORS, STATEMENT 12
TRUSTEES AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
SPICER BELL 1324 BELMONT AVENUE SALISBURY, MD 21804	PRESIDENT 40.00	100,000.	6,000.	0.
JAMES W. ALMAND 5200-B COASTAL HIGHWAY OCEAN CITY, MD 21842	DIRECTOR 1.00	0.	0.	0.
ALDEN H. BALFANY 1527 WOODLAND ROAD SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
JAMES R. BERGEY, JR. 616 WILLIAM STREET BERLIN, MD 21811	DIRECTOR 1.00	0.	0.	0.
TERRENCE F. BLADES PO DRAWER 149 POCOMOKE, MD 21851	DIRECTOR 1.00	0.	0.	0.
JACQUELINE R. CASSIDY PO BOX 2352 SALISBURY, MD 21803	DIRECTOR 1.00	0.	0.	0.
ARTHUR M. COOLEY 3843 DEVONSHIRE DRIVE SALISBURY, MD 21804	CHAIRMAN 1.00	0.	0.	0.
JANE R. CORCORAN 603 TONY TANK LANE SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
ANNEMARIE DICKERSON 10948 ASSATEAGUE ROAD BERLIN, MD 21811	SECRETARY 1.00	0.	0.	0.
CHARLES G. GOSLEE 5610 SCOTTISH HIGHLAND CIRCLE SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
SHIRLEY HYMON-PARKER 6533 CENTENNIAL DRIVE SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.

KAREN E. LISCHICK 1115 COTTON PATCH ISLAND SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
THOMAS E. MAHN PO BOX 1537 SALISBURY, MD 21802	DIRECTOR 1.00	0.	0.	0.
BRUCE A. MOORE 13037 DRUM POINT ROAD OCEAN CITY, MD 21842	DIRECTOR 1.00	0.	0.	0.
JAMES F. MORRIS PO BOX 2017 SALISBURY, MD 21802	DIRECTOR 1.00	0.	0.	0.
SUSAN D. NORTH 30771 FOXCHASE DRIVE SALISBURY, MD 21804	DIRECTOR 1.00	0.	0.	0.
SUSAN K. PURNELL 1703 UPPER MILLSTONE LANE SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
PAMELA D. STANSELL 11708 GUM POINT ROAD BERLIN, MD 21811	DIRECTOR 1.00	0.	0.	0.
GREGORY L. STEIN 909 BOUNDARY STREET SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
JOHN M. STERN, JR. 540 RIVERSIDE DRIVE SUITE 10 SALISBURY, MD 21801	DIRECTOR 1.00	0.	0.	0.
LOUIS H. TAYLOR 9913 SEAHAWK ROAD BERLIN, MD 21811	VICE CHAIRMAN 1.00	0.	0.	0.
RAYMOND M. THOMPSON PO BOX 5 BERLIN, MD 21811	DIRECTOR 1.00	0.	0.	0.
THELMA B. THOMPSON SUITE 2107, JT WILLIAMS HALL PRINCESS ANNE, MD 21853	DIRECTOR 1.00	0.	0.	0.
JEFFREY F. TURNER PO BOX 4338 SALISBURY, MD 21803	DIRECTOR 1.00	0.	0.	0.

JOSEPH R. OLLINGER 5418 CHERRY HILL LANE SALISBURY, MD 21801	TREASURER 1.00	0.	0.	0.
MELODY S. NELSON 30439 LINDEN AVENUE PRINCESS ANNE, MD 21853	DIRECTOR 1.00	0.	0.	0.
TOTALS INCLUDED ON FORM 990, PART V-A		<u>100,000.</u>	<u>6,000.</u>	<u>0.</u>

SCHEDULE A EXPLANATION OF QUALIFICATIONS TO RECEIVE PAYMENTS STATEMENT 13
PART III, LINE 3A

THE FOUNDATION HAS THE FOLLOWING GRANT GUIDELINES FOR MAKING DISBURSEMENTS FROM ITS COMPONENT FUNDS TO ORGANIZATIONS:

- 1) DISBURSEMENTS ARE MADE TO PROGRAMS AND ORGANIZATIONS EXEMPT FROM FEDERAL TAXATION UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE SERVICE CODE. THE FOUNDATION ADMINISTERS SCHOLARSHIP CRITERIA, ELIGIBILITY AND AN OBJECTIVE SELECTION PROCESS IS DECIDED AND DOCUMENTED IN WRITING WHEN A FUND IS ESTABLISHED AND THE FOUNDATION ENSURES THAT SUCH PROCEDURES ARE CARRIED OUT IN ACCORDANCE WITH IRS REGULATION IN AWARDING SCHOLARSHIPS FROM THESE FUNDS. DISBURSEMENTS ARE PAID DIRECTLY TO THE UNIVERSITY TO BE CREDITED AGAINST THE SCHOLARSHIP RECIPIENT'S ACCOUNT.
- 2) THE COMMUNITY FOUNDATION SERVES MARYLAND'S LOWER SHORE COUNTIES OF SOMERSET, WICOMICO, AND WORCESTER. THE MISSION OF THE COMMUNITY FOUNDATION OF THE EASTERN SHORE IS TO STRENGTHEN THE COMMUNITY BY BUILDING CHARITABLE ENDOWMENTS, MAXIMIZING BENEFITS TO DONORS, MAKING EFFECTIVE GRANTS, AND PROVIDING LEADERSHIP TO ADDRESS COMMUNITY NEEDS.
- 3) THE FOUNDATION OPERATES WITHOUT DISCRIMINATION AS TO AGE, RACE, RELIGION, GENDER OR NATIONAL ORIGIN IN THE CONSIDERATION OF GRANT REQUESTS FROM AGENCIES AND ORGANIZATIONS.

ALL GRANTS FROM SCHOLARSHIP FUNDS OF THE COMMUNITY FOUNDATION OF THE EASTERN SHORE WILL BE MADE ON AN OBJECTIVE AND NONDISCRIMINATORY BASIS FROM A POOL OF PERSONS CHOSEN ON THE BASIS OF CRITERIA REASONABLY RELATED TO THE PURPOSES OF THE PARTICULAR FUND FROM WHICH THE GRANT IS MADE (FOR THIS PURPOSE, LIMITATIONS BASED ON SEX, RELIGION, OR RACE ARE PERMITTED WHERE NOT CONTRARY TO PUBLIC POLICY); AND NO EMPLOYEE OF THE COMMUNITY FOUNDATION, DONOR, NOR ANY MEMBER OF A SELECTION COMMITTEE RECOMMENDING SCHOLARSHIP AWARDS, MAY DERIVE, DIRECTLY OR INDIRECTLY, A PRIVATE BENEFIT IN CONNECTION WITH A GRANT FROM A SCHOLARSHIP FUND.

THE OFFICERS OF THE COMMUNITY FOUNDATION ARE AUTHORIZED AND EMPOWERED TO APPOINT, OR CAUSE TO BE APPOINTED, SELECTION COMMITTEES TO ENABLE SCHOLARSHIP FUNDS TO QUALIFY FOR THE EXCEPTION TO THE DEFINITION OF A DONOR ADVISED FUND.

Depreciation and Amortization 990
(Including Information on Listed Property)

2007

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Attachment
Sequence No. **67**

Name(s) shown on return COMMUNITY FOUNDATION OF THE EASTERN SHORE, INC.	Business or activity to which this form relates FORM 990 PAGE 2	Identifying number 52-1326014
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Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See the instructions for a higher limit for certain businesses	1	125,000.
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation	3	500,000.
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6 (a) Description of property (b) Cost (business use only) (c) Elected cost		
7 Listed property. Enter the amount from line 29	7	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2006 Form 4562	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2008. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2007	17	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here	<input type="checkbox"/>	

Section B - Assets Placed in Service During 2007 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2007 Tax Year Using the Alternative Depreciation System

20a Class life						
b 12-year			12 yrs.		S/L	
c 40-year	/		40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21 Listed property. Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	35,968.
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

**COMMUNITY FOUNDATION OF THE
EASTERN SHORE, INC.**

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Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No		24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No						
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use								25
26 Property used more than 50% in a qualified business use:								
	:	:	%					
	:	:	%					
	:	:	%					
27 Property used 50% or less in a qualified business use:								
	:	:	%			S/L -		
	:	:	%			S/L -		
	:	:	%			S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

30 Total business/investment miles driven during the year (do not include commuting miles)	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2007 tax year:					
	:				
	:				
43 Amortization of costs that began before your 2007 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44