

Community Foundation of Charles County, Inc.

**Audited Financial Statements
With Independent Auditor's Report
For the Year Ended December 31, 2008**

Community Foundation of Charles County, Inc.

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Richard J. Taylor
Certified Public Accountant

Independent Auditor's Report

Board of Directors
Community Foundation of Charles County, Inc.
Waldorf, Maryland

I have audited the accompanying Statement of Financial Position of the Community Foundation of Charles County, Inc. as of December 31, 2008, and the related Statements of Activities, Cash Flows and Functional Expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, these financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Charles County, Inc. as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Richard J. Taylor
Certified Public Accountant
Rockville, Maryland
October 30, 2009

COMMUNITY FOUNDATION OF CHARLES COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2008

ASSETS

| | |
|-------------------------------------|--------------------------|
| Current Assets | |
| Cash and Cash Equivalents | \$ 66,799 |
| Accounts Receivable | 1,766 |
| Grants and Contributions Receivable | 10,385 |
| Prepaid Insurance | <u>688</u> |
| Total Current Assets | 79,638 |
| Investments, at Market | <u>622,597</u> |
| TOTAL ASSETS | <u>\$ 702,235</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|---------------------|------------|
| Accounts Payable | \$ 2,746 |
| Accrued Salary | 191 |
| Payroll Liabilities | <u>989</u> |
| Total Liabilities | \$ 3,926 |

NET ASSETS

| | |
|------------------------|------------|
| Unrestricted | \$ 26,660 |
| Temporarily Restricted | 671,649 |
| Permanently Restricted | <u>0</u> |
| Total Net Assets | \$ 698,309 |

| | |
|---|--------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 702,235</u> |
|---|--------------------------|

COMMUNITY FOUNDATION OF CHARLES COUNTY, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-------------------------|-----------------------------------|-----------------------------------|-------------------------|
| Revenues, Gains and Other Support | | | | |
| Contributions, Grants and Donations | \$ 74,204 | \$823,608 | \$ 0 | \$897,812 |
| Special Events | 15,843 | 96,687 | 0 | 112,530 |
| Interest and Dividends | 163 | 5,618 | 0 | 5,781 |
| Investment Income (Loss), Net | 0 | (180,709) | 0 | (180,709) |
| Other Income | 6,922 | 0 | 0 | 6,922 |
| Released from Restriction | <u>73,556</u> | <u>(73,556)</u> | <u>0</u> | <u>0</u> |
| Total Revenues, Gains & Other Support | \$163,766 | \$671,649 | \$ 0 | \$835,414 |
| Grants and Expenses | | | | |
| Program Services: | \$ 83,017 | \$ 0 | \$ 0 | \$ 83,017 |
| Supporting Services: | | | | |
| Management and General | \$ 9,613 | \$ 0 | \$ 0 | \$ 9,613 |
| Fundraising | <u>59,209</u> | <u>0</u> | <u>0</u> | <u>59,209</u> |
| Total Grants and Expenses | <u>\$151,839</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$151,839</u> |
| Change in Net Assets | \$ 11,927 | \$671,649 | \$ 0 | \$683,575 |
| Net Assets, beginning of year | <u>\$ 14,733</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 14,733</u> |
| Net Assets, end of year | <u>\$ 26,660</u> | <u>\$671,649</u> | <u>\$ 0</u> | <u>\$698,309</u> |

COMMUNITY FOUNDATION OF CHARLES COUNTY, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2008

Cash Flows from Operating Activities

| | |
|--|---------------------------|
| Change in Net Assets | \$ 683,575 |
| Adjustments to reconcile net increase in net assets to net cash provided by operations: | |
| Decrease in Prepaid Expenses | 412 |
| Increase in Accounts Receivable | (1,766) |
| Increase in Grants, Contributions Receivable | (10,385) |
| Increase in Accounts Payable | 2,576 |
| Increase in Payroll Taxes Payable | 989 |
| Increase in Accrued Salary | <u>192</u> |
| Net Cash (used) provided by operating Activities | <u>\$675,594</u> |
| Cash Flows from Investing Activities | |
| Net purchases of investments | \$(622,598) |
| Net Cash (used) provided by investing activities | <u>\$(622,598)</u> |
| Net Increase (Decrease) in Cash | \$ 52,996 |
| Cash, beginning of year | <u>\$ 13,803</u> |
| Cash, end of year | <u>\$ 66,799</u> |

COMMUNITY FOUNDATION OF CHARLES COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2008

| | Program Services | Supporting Services Management & General | Fund Raising | Total |
|-----------------------------------|-----------------------------|---|-------------------------|-------------------------|
| Salaries, Payroll Taxes, Benefits | \$ 40,171 | \$ 5,739 | \$ 11,478 | \$ 57,388 |
| Grants | 25,000 | 0 | 0 | 25,000 |
| Events, Meetings | 3,104 | 0 | 35,093 | 38,198 |
| Insurance | 799 | 114 | 228 | 1,142 |
| Office Expenses | 0 | 809 | 0 | 809 |
| Postage | 243 | 48 | 1,122 | 1,413 |
| Printing | 536 | 39 | 3,580 | 4,155 |
| Professional Fees | 2,481 | 1,584 | 350 | 4,415 |
| Rent | 4,200 | 600 | 1,200 | 6,000 |
| Seminars, Dues, Memberships | 3,131 | 0 | 75 | 3,206 |
| Supplies | 0 | 0 | 4,581 | 4,581 |
| Telephone | 1,499 | 214 | 428 | 2,142 |
| Travel | 748 | 107 | 549 | 1,404 |
| Website | 1,101 | 157 | 315 | 1,573 |
| Bank Fees & Miscellaneous | <u>2</u> | <u>202</u> | <u>211</u> | <u>415</u> |
| Total Expenses | <u>\$ 83,017</u> | <u>\$ 9,613</u> | <u>\$ 59,209</u> | <u>\$151,839</u> |

Community Foundation of Charles County, Inc.
Notes to Financial Statements
December 31, 2008

Note A. Nature of Organization

The Community Foundation of Charles County (the Foundation) was incorporated in December 2005, and received its tax exempt status as a non-profit 501(c) 3 organization in August 2007. The Foundation is one of more than 700 community foundations in the United States.

The Foundation's mission is to improve the quality of life for the community of Charles County by aligning philanthropic interests with community needs through stewardship and collaboration. To achieve the mission, the Foundation works with families, individuals, businesses, attorneys, and estate and financial planners to design gift plans that fit every economic situation. These gift plans ensure that donors receive the most benefit from their charitable contributions and that philanthropic dollars are used to the fullest potential.

Note B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on an accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the standards 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 Foundation 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.

Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets are not subject to donor-imposed restrictions as to use. This includes the General Fund.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Community Foundation of Charles County, Inc.
Notes to Financial Statements
December 31, 2008

Restricted and Unrestricted Revenue and Support

The Foundation has adopted (SFAS) No. 116, Accounting for Contributions Received and Contributions Made.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets, and reported in the Statement of Activities as net assets released from restrictions.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments

The Foundation carries investments in money market funds, marketable securities and debt securities at their fair values in the statement of financial position. Gains and losses on investments are included in the change in net assets in the accompanying statement of activities.

Types of Funds

Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose according to the donor's instructions at the time the gift is made. Separate accounts are maintained for each fund, however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. The component funds of the Foundation are as follows:

Community Foundation of Charles County, Inc.
Notes to Financial Statements
December 31, 2008

Donor-Advised Funds

Flexible funds that allow donors to make grant recommendations for any charitable organization. The final approval of each grant rests with the Board of Directors of the Community Foundation of Charles County.

Designated Funds

Funds designated to benefit charitable purposes specified by donors at the time the component fund is created.

Field of Interest Funds

Funds dedicated to a specific cause or "field" of grant making (i.e. arts, youth or education). The Foundation administers grants from the fund to a nonprofit in that area.

Scholarship Funds

Funds to assist students to pursue academic goals. The donor may define guidelines for candidacy, the advisory committee, the school, and the award. The Foundation presents scholarship awards to qualified educational institutions and monitors the process to ensure the purpose is fully respected.

Unrestricted Funds

Funds allowing grants to be made where the Foundation's Grants Committee determines the needs are the greatest.

Agency Funds

Funds established by nonprofit organizations to provide income. The Foundation handles all administrative and investment responsibilities, freeing the organization to pursue its charitable mission.

It should be noted that each of the funds previously listed may be created as permanent, endowed funds (which generate grant-making dollars each year), or non-endowed funds (which do not preserve the principal.)

Endowment Fund Management Policy

An endowed fund, scholarship, or award may be established with a minimum commitment not less than \$10,000. The Foundation's Board of Directors will authorize the distribution of up to 5 percent of the average beginning and ending calendar year market value of each endowed fund. No distribution will be made from an endowed fund that would invade the principal of that fund, except at the discretion of the Foundation's Board of Directors.

Community Foundation of Charles County, Inc.
Notes to Financial Statements
December 31, 2008

In order to safeguard the growth of a new fund, the distribution will be limited during its first three years to the following percentages:

- After One Year 2%
- After Two Years 4%
- After Three Years Plus 5%

Property and Equipment

Purchased property and equipment is recorded at cost. Donated assets are recorded as contributions at the estimated fair value on the date received.

The Foundation does not have a policy regarding capitalization of assets, as the values of purchased assets have been immaterial. Assets are currently expensed at the time of purchase; therefore, there was no depreciation expense in 2008.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Foundation is a nonprofit entity and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include those assumed in the valuing of investments at fair value. An estimate regarding a possible loss on these investments cannot be made due to the fluctuating nature of market conditions. It is at least reasonably possible that the estimates will change within the next year depending on market conditions.

Community Foundation of Charles County, Inc.
Notes to Financial Statements
December 31, 2008

Note C. Investments

Investments are stated at fair value and consist of the following at December 31, 2008:

| | |
|-----------------------------|----------------------|
| Cash and Equivalents | \$164,528 |
| Government and Agency Bonds | 5,003 |
| Corporate Bonds | 164,195 |
| U.S. Equities | 225,159 |
| Foreign Assets | <u>63,712</u> |
| Total Investments | <u>\$622,597</u> |

Unrealized gain (loss) on investments for the year ended December 31, 2008 was (\$151,400).

During 2008, financial markets as a whole have incurred significant declines in values. Because values of individual investments fluctuate with market conditions, the amount of investment losses that the Foundation will recognize in its future financial statements, if any, cannot be determined.

Note D. Concentration of Credit Risk

The Foundation maintains cash balances at the Community Bank of Tri-County and the Maryland Bank & Trust Company of Waldorf, Maryland. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2008, there was \$0 in excess of federal depository insurance limits.

The Foundation's operations are located in Waldorf, Maryland. The Foundation's major source of operating support was derived from donations made by Chaney Enterprises. If this donor discontinued its support of the Foundation, it may have a significant effect on the Foundation's operations.

Community Foundation of Charles County, Inc.
Notes to Financial Statements
December 31, 2008

Note E. Net Assets

As of December 31, 2008, net assets included the following categories:

| | |
|---|-------------------------|
| Unrestricted Funds | \$ 26,660 |
| Temporarily Restricted Funds | |
| <u>Donor-Advised Funds</u> | |
| Southern Maryland Women's League Fund | 20,254 |
| Chaney Bull Roast Foundation Fund | 24,608 |
| <u>Donor Designated Funds</u> | |
| Babe & Dick Chaney Memorial Fund | 608,959 |
| DC Area Outback Steakhouse Charity Fund | 14,591 |
| <u>Field of Interest Funds</u> | |
| The Zonta Fund | <u>3,236</u> |
| Total Net Assets | <u><u>\$698,309</u></u> |

Note F. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

During 2008, \$350 has been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but are not recognized in the financial statements because they did not meet the criteria under SFAS No. 116.