

***COMMUNITY FOUNDATION OF CHARLES
COUNTY***

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Foundation of Charles County
Waldorf, MD

We have audited the accompanying statements of financial position of the Community Foundation of Charles County (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Community Foundation of Charles County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Charles County as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
March 10, 2011

COMMUNITY FOUNDATION OF CHARLES COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,412	\$ 107,270
Contributions and grants receivable	395	780
Prepaid expenses	<u>250</u>	<u>777</u>
Total current assets	78,057	108,827
Investments	<u>920,948</u>	<u>812,534</u>
Total assets	<u>\$ 999,005</u>	<u>\$ 921,361</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 35,783	\$ 20,340
Accrued payroll liabilities	<u>2,730</u>	<u>2,632</u>
Total current liabilities	<u>38,513</u>	<u>22,972</u>
Net assets:		
Unrestricted	25,236	23,203
Temporarily restricted	53,589	66,455
Permanently restricted	<u>881,667</u>	<u>808,731</u>
Total net assets	<u>960,492</u>	<u>898,389</u>
Total liabilities and net assets	<u>\$ 999,005</u>	<u>\$ 921,361</u>

See notes to financial statements

COMMUNITY FOUNDATION OF CHARLES COUNTY
STATEMENT OF ACTIVITIES

	For the Year Ended December 31, 2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions, grants and donations	\$ 64,404	\$ 36,421	\$ 12,705	\$ 113,530
Special events	13,034	97,085	-	110,119
Investment income	16	106	108,782	108,904
Net assets released from restrictions:	<u>195,029</u>	<u>(146,478)</u>	<u>(48,551)</u>	<u>-</u>
Total revenues	272,483	(12,866)	72,936	332,553
Expenses:				
Program services:				
Program services	173,209	-	-	173,209
Support services:				
Management and general	22,796	-	-	22,796
Fundraising	<u>74,445</u>	<u>-</u>	<u>-</u>	<u>74,445</u>
Total support services	<u>97,241</u>	<u>-</u>	<u>-</u>	<u>97,241</u>
Total expenses	<u>270,450</u>	<u>-</u>	<u>-</u>	<u>270,450</u>
Increase (decrease) in net assets	2,033	(12,866)	72,936	62,103
Net assets, beginning of year	<u>23,203</u>	<u>66,455</u>	<u>808,731</u>	<u>898,389</u>
Net assets, end of year	<u>\$ 25,236</u>	<u>\$ 53,589</u>	<u>\$ 881,667</u>	<u>\$ 960,492</u>

See notes to financial statements

COMMUNITY FOUNDATION OF CHARLES COUNTY
STATEMENT OF ACTIVITIES

	For the Year Ended December 31, 2009			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions, grants and donations	\$ 64,697	\$ 32,065	\$ -	\$ 96,762
Special events	16,751	125,664	-	142,415
Investment income	53	87	190,929	191,069
Other income	150	-	-	150
Net assets released from restrictions:	<u>145,208</u>	<u>(133,796)</u>	<u>(11,412)</u>	<u>-</u>
Total revenues	226,859	24,020	179,517	430,396
Expenses:				
Program services:				
Program services	136,154	-	-	136,154
Support services:				
Management and general	20,889	-	-	20,889
Fundraising	<u>73,273</u>	<u>-</u>	<u>-</u>	<u>73,273</u>
Total support services	<u>94,162</u>	<u>-</u>	<u>-</u>	<u>94,162</u>
Total expenses	<u>230,316</u>	<u>-</u>	<u>-</u>	<u>230,316</u>
(Decrease) increase in net assets	(3,457)	24,020	179,517	200,080
Net assets, beginning of year	<u>26,660</u>	<u>42,435</u>	<u>629,214</u>	<u>698,309</u>
Net assets, end of year	<u>\$ 23,203</u>	<u>\$ 66,455</u>	<u>\$ 808,731</u>	<u>\$ 898,389</u>

See notes to financial statements

COMMUNITY FOUNDATION OF CHARLES COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

	For the Year Ended December 31, 2010			
	Program services	Management and general	Fundraising	Total expenses
Grant expense	\$ 119,917	\$ -	\$ -	\$ 119,917
Salaries	31,963	10,510	7,720	50,193
Meals and entertainment	3,801	-	20,192	23,993
Supplies	54	62	21,493	21,609
Equipment rental and maintenance	-	-	12,692	12,692
Accounting fees	-	7,779	-	7,779
Occupancy	3,821	1,256	923	6,000
Professional fees	5,135	-	-	5,135
Payroll taxes	2,778	913	671	4,362
Contract services	-	-	5,011	5,011
Seminars, dues and memberships	794	-	-	794
Telephone	1,169	384	282	1,835
Printing and publications	625	-	3,247	3,872
IT expenses	1,151	378	677	2,206
Insurance	758	249	183	1,190
Postage and shipping	389	113	306	808
Bank fees	5	254	727	986
Office expenses	21	626	121	768
Employee benefits	828	272	200	1,300
Total expenses	<u>\$ 173,209</u>	<u>\$ 22,796</u>	<u>\$ 74,445</u>	<u>\$ 270,450</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF CHARLES COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

	For the Year Ended December 31, 2009			
	Program services	Management and general	Fundraising	Total expenses
Grant expense	\$ 87,150	\$ -	\$ -	\$ 87,150
Salaries	29,626	9,875	9,875	49,376
Meals and entertainment	360	-	27,141	27,501
Supplies	272	-	17,505	17,777
Equipment rental and maintenance	-	-	7,967	7,967
Accounting fees	-	7,005	-	7,005
Occupancy	3,600	1,200	1,200	6,000
Professional fees	4,422	-	-	4,422
Payroll taxes	2,258	753	753	3,764
Contract services	-	-	3,433	3,433
Seminars, dues and memberships	2,671	-	230	2,901
Telephone	1,402	467	467	2,336
Printing and publications	65	-	2,034	2,099
IT expenses	1,139	379	380	1,898
Insurance	900	300	300	1,500
Consultants	1,494	-	-	1,494
Travel	489	163	498	1,150
Postage and shipping	-	262	687	949
Bank fees	12	147	636	795
Office expenses	144	288	117	549
Employee benefits	150	50	50	250
Total expenses	<u>\$ 136,154</u>	<u>\$ 20,889</u>	<u>\$ 73,273</u>	<u>\$ 230,316</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF CHARLES COUNTY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ <u>62,103</u>	\$ <u>200,080</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(52,678)	(186,839)
Realized (gain) loss on investments	(21,979)	16,570
Decrease (increase) in assets:		
Accounts receivable	-	1,766
Contributions and grants receivable	385	9,605
Prepaid expenses	527	(89)
Increase (decrease) in liabilities:		
Accounts payable	15,443	17,594
Accrued payroll liabilities	<u>98</u>	<u>1,451</u>
Total adjustments	<u>(58,204)</u>	<u>(139,942)</u>
Net cash provided by operating activities	<u>3,899</u>	<u>60,138</u>
Cash flows from investing activities:		
Purchases of investments	(39,039)	(20,777)
Proceeds from sales of investments	<u>5,282</u>	<u>1,110</u>
Net cash used in investing activities	<u>(33,757)</u>	<u>(19,667)</u>
Net (decrease) increase in cash and cash equivalents	(29,858)	40,471
Cash and cash equivalents, beginning of year	<u>107,270</u>	<u>66,799</u>
Cash and cash equivalents, end of year	\$ <u>77,412</u>	\$ <u>107,270</u>

See notes to financial statements

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

1. 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 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.

2. Summary of significant accounting policies

Basis of presentation

The Foundation has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represents the expendable resources that are available for operations at management's discretion.

Temporarily Restricted Net Assets represents resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Foundation. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Use of estimates

The preparation of financial statements in conformity with *U.S. Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Foundation classifies all highly liquid investments with an original maturity of three months or less as cash equivalents. At December 31, 2010 and 2009, cash and cash equivalents included checking account deposits, deposits in overnight repurchase agreements, and money market funds. At December 31, 2010, cash and cash equivalents included checking account deposits and money market funds.

Concentrations of credit risk

The Foundation maintains bank accounts that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2010 and 2009, there were no deposits in excess of FDIC limits.

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. There were no unconditional promises to give expected to be collected in future years.

Investments

Investments in common stocks, bonds, and money market funds are valued at fair market value. Donated securities and other donated items held as investments are recorded at their fair market value on the date of the donation. The gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law.

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Income taxes

The Foundation is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. The Foundation is taxed on net income from unrelated business activities. For the years ended December 31, 2010 and 2009, the Foundation did not generate any net income from unrelated business activities.

Fair value measurements

The Financial Accounting Standards Board (FASB) sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The standard applies to all assets and liabilities that are being measured and reported on a fair value basis. The standard requires disclosure that establishes a framework for measuring fair value in *U.S. Generally Accepted Accounting Principles* and expands disclosure about fair value measurements. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The standard requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Quoted market prices in active markets for identical securities or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the standard set forth by FASB. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no level 3 inputs for any assets held by the Organization at December 31, 2010 or 2009.

Contributions

Unconditional promises to give are recorded as contributions at their net realizable value in the year in which the promise is made. All contributions are available for unrestricted purposes unless specifically restricted by the donor. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

The Foundation reports contributions as restricted support (temporarily restricted or permanently restricted, depending on the nature of the restriction) if they are received with donor stipulations that limit the use of the assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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. 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.

Grants and contracts

The Foundation records grant revenue over the period of the award and the provisions of the grant determine the timing of the revenue recognition.

Special events

Revenue is recognized when the events occur.

In-kind contributions

Donated materials, use of facilities and services are recorded at fair value when unconditional commitment is received from the donor. In-kind contributions are recorded as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of task that assists the Organization. No contribution of services has been reflected in the financial statements for the fiscal years ending December 31, 2010 and 2009.

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 activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Component Funds

A Component Fund is a designation established by donors or the Foundation for specific or unrestricted purposes and held as an asset of the Foundation.

Component funds of the Foundation are as follows:

- Unrestricted/Discretionary funds address the ever changing needs in the broader community.
- Field-of-interest funds address the needs in an important area of the community life, such as the arts, aging, youth, etc.
- Advised funds address the needs recommended by the donor. The foundation's board reserves the right of variance power with advised funds.
- Designated funds address the needs of a specific organization or purpose.
- Organization/Agency funds address the needs of a specific non-profit or may be set up to solely support the named non-profit.
- Scholarship funds address educational or vocational scholarships for area youth.

Each of the six kinds of funds previously listed may be created as endowed or nonendowed funds.

3. Endowment Funds

Interpretation of Relevant Law

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General endowment conditions

COMMUNITY FOUNDATION OF CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Foundation's Policy for Appropriation of Endowment Assets for Expenditure

The Foundation's Board of Directors has adopted a "Total Return" approach to determine the annual amount available for grantmaking from the Foundation's endowed component funds. Under this philosophy, the Foundation appropriates a maximum of five percent, assuming the component fund has been in existence for three years, of its assets each year while maintaining and increasing the real value of its assets and covering reasonable administrative expenses.

The Foundation's investment objectives for the endowment funds is to achieve maximum returns without exposure to undue risk. The investment strategy of the Endowment funds is to emphasize total return: the aggregate returns from capital appreciation, dividend and interest income. The objective shall be achieved by using a balanced approach consisting of cash equivalents, fixed income instruments, and equity securities that meet the investment guidelines.

4. Investments

Investments are comprised of the following as of December 31:

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Cost	Market	Cost	Market
Money market funds	\$ 76,500	\$ 76,500	\$ 35,398	\$ 35,398
Equities	414,193	459,364	393,204	394,947
Corporate bonds	186,739	220,431	209,936	238,670
Foreign assets	125,264	134,621	138,549	143,519
Government bonds	<u>30,127</u>	<u>30,032</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 832,823</u>	<u>\$ 920,948</u>	<u>\$ 777,087</u>	<u>\$ 812,534</u>

COMMUNITY FOUNDATION OF CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

Investment income is comprised of the following for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Dividends	\$ 20,495	\$ 8,397
Interest	13,752	12,403
Realized gain (loss)	21,979	(16,570)
Unrealized gain	<u>52,678</u>	<u>186,839</u>
Total investment income	<u>\$ 108,904</u>	<u>\$ 191,069</u>

The table below summarizes the level of inputs used to determine fair value of each major type of investment at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 76,500	\$ -	\$ 76,500
Equities	459,364	-	-	459,364
Corporate bonds	-	220,431	-	220,431
Foreign assets	134,621	-	-	134,621
Government bonds	<u>30,032</u>	<u>-</u>	<u>-</u>	<u>30,032</u>
Total investments	<u>\$ 624,017</u>	<u>\$ 296,931</u>	<u>\$ -</u>	<u>\$ 920,948</u>

The table below summarizes the level of inputs used to determine fair value of each major type of investment at December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 35,398	\$ -	\$ 35,398
Equities	394,947	-	-	394,947
Corporate bonds	-	238,670	-	238,670
Foreign assets	<u>143,519</u>	<u>-</u>	<u>-</u>	<u>143,519</u>
Total investments	<u>\$ 538,466</u>	<u>\$ 274,068</u>	<u>\$ -</u>	<u>\$ 812,534</u>

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

5. Temporarily restricted net assets

At December 31, 2010 and 2009, temporarily restricted net assets were available for the following programs:

	<u>2010</u>	<u>2009</u>
DC Area Outback Charity Fund	\$ 17,485	\$ 20,139
Bonefish Charity/Community Grant Fund	-	8,636
Chaney Foundation Bull Roast Fund	17,515	36,930
CSM Arts Scholarship	500	500
Zonta Fund	9,947	250
Sisters at Heart Fund	<u>8,142</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 53,589</u>	<u>\$ 66,455</u>

6. Permanently restricted net assets

At December 31, 2010 and 2009, permanently restricted for the following purposes

	<u>2010</u>	<u>2009</u>
The Babe and Dick Chaney Memorial Fund	\$ 837,997	\$ 782,215
Southern Maryland Woman's League Fund	29,517	26,516
Zonta Legacy Fund	6,994	-
Leadership Southern Maryland Legacy Fund	<u>7,159</u>	<u>-</u>
Total permanently restricted net assets	<u>\$ 881,667</u>	<u>\$ 808,731</u>

COMMUNITY FOUNDATION OF CHARLES COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

7. Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
The Babe and Dick Chaney Memorial Fund	\$ 47,896	\$ 10,980
BLING	-	1,150
Bonefish Charity/Community Grant Fund	8,636	42
Chaney Foundation Bull Roast Fund	62,066	45,010
D.C Area Outback Steakhouse Charity Fund	75,671	58,097
Southern Maryland Women's League Fund	508	433
Chaney Foundation of Southern Maryland Fund	-	20,000
Zonta Fund	5	9,496
Sisters at Heart Fund	100	-
Leadership Southern Maryland Legacy Fund	70	-
Zonta Legacy Fund	<u>77</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 195,029</u>	<u>\$ 145,208</u>

8. Subsequent events

The Foundation has evaluated subsequent events through March 10, 2011, which is the date the financial statements were available to be issued.