

***COMMUNITY FOUNDATION OF  
SOUTHERN MARYLAND, INC.***

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2013 AND 2012



**Halt Buzas &  
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Community Foundation of Southern Maryland, Inc.  
Waldorf, Maryland

We have audited the accompanying financial statements of Community Foundation of Southern Maryland, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 18-19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

As part of our audit of the December 31, 2013 financial statements, we also audited the adjustment described in Note 6 that was applied to restate the 2012 financial statements. In our opinion, the adjustment is appropriate and has been properly applied.

*Halt, Buzas & Powell, Ltd.*

Alexandria, Virginia  
July 18, 2014

COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 101,205	\$ 91,475
Contributions receivable	5,939	2,070
Prepaid expenses	1,418	1,496
Investments	1,041,862	961,038
Other assets	<u>-</u>	<u>700</u>
Total assets	<u>\$ 1,150,424</u>	<u>\$ 1,056,779</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 37,909	\$ 45,473
Accrued payroll liabilities	<u>3,166</u>	<u>2,959</u>
Total liabilities	<u>41,075</u>	<u>48,432</u>
Net assets:		
Unrestricted	109,481	96,809
Unrestricted, endowed	<u>999,868</u>	<u>911,538</u>
Total net assets	<u>1,109,349</u>	<u>1,008,347</u>
Total liabilities and net assets	<u>\$ 1,150,424</u>	<u>\$ 1,056,779</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Contributions	\$ 129,959	\$ 173,633
Special events	107,347	90,451
Investment income	146,049	100,875
Other income	<u>-</u>	<u>1,458</u>
Total revenues	<u>383,355</u>	<u>366,417</u>
<b>Expenses:</b>		
Program services	<u>236,673</u>	<u>250,812</u>
Support services:		
Management and general	19,718	22,914
Fundraising	<u>25,962</u>	<u>22,984</u>
Total support services	<u>45,680</u>	<u>45,898</u>
Total expenses	<u>282,353</u>	<u>296,710</u>
<b>Change in net assets</b>	101,002	69,707
<b>Net assets, beginning of year, as restated</b>	<u>1,008,347</u>	<u>938,640</u>
<b>Net assets, end of year</b>	<u>\$ 1,109,349</u>	<u>\$ 1,008,347</u>

See accompanying notes to financial statements.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>101,002</u>	\$ <u>69,707</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized gain on investments	(168,258)	(110,286)
Realized loss on investments	45,949	34,304
Decrease (increase) in assets:		
Accounts receivable	-	551
Contributions receivable	(3,869)	14,049
Prepaid expenses	78	381
Other assets	700	(700)
Increase (decrease) in liabilities:		
Accounts payable	(7,564)	4,126
Accrued payroll liabilities	<u>207</u>	<u>282</u>
Total adjustments	<u>(132,757)</u>	<u>(57,293)</u>
Net cash (used in) provided by operating activities	<u>(31,755)</u>	<u>12,414</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(1,276,452)	(133,564)
Proceeds from sales of investments	<u>1,317,937</u>	<u>133,592</u>
Net cash provided by investing activities	<u>41,485</u>	<u>28</u>
<b>Net increase in cash</b>	9,730	12,442
<b>Cash, beginning of year</b>	<u>91,475</u>	<u>79,033</u>
<b>Cash, end of year</b>	\$ <u>101,205</u>	\$ <u>91,475</u>

See accompanying notes to financial statements.

# COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

### 1. Organization

The Community Foundation of Southern Maryland (the Foundation), formerly the Community Foundation of Charles County, was incorporated in December 2005. The Foundation received its tax exempt status as a 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 southern Maryland by aligning philanthropic interests with community needs through stewardship and collaboration. To achieve the mission, the Foundation provides grants from various funds to benefit other tax exempt organizations in the community in addition to educating the public about the benefit of aligning philanthropic interests with community needs.

### 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* represent the expendable resources that are available for operations at management's discretion. All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Foundation the ability to modify donor restrictions that are incapable of fulfillment or are no longer consistent with the charitable needs of the community. As a result of the variance power, all contributions not classified as temporarily restricted are classified as unrestricted net assets for financial statement purposes.

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

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

*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.

The Foundation has no temporarily or permanently restricted net assets at December 31, 2013 and 2012.

Accounting principles generally accepted in the United States provide that if the governing body of an organization has unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Foundation's Board of Directors has that ability (variance power); however, it would only exercise this authority if circumstances render the donor's restrictions unnecessary, irrelevant, impracticable or incapable of fulfillment. Accordingly, the Foundation classifies all amounts as unrestricted in the accompanying financial statements.

Basis of accounting

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

Use of estimates

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

# COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

### Fair value measurements

The Foundation follows Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical securities or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the standard. 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 Foundation at December 31, 2013 or 2012.

### Income taxes

The Foundation is exempt from Federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables the Foundation to accept donations that qualify as charitable contributions to the donor. The Foundation is subject to tax on net income from unrelated business activities. For the years ended December 31, 2013 and 2012, the Foundation did not have any income taxes from unrelated business activities.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

The Foundation is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *Accounting Standards Codification (ASC) for Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. At December 31, 2013 and 2012, the Foundation had no accruals for interest and/or penalties.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at net realizable value. Management believes all contributions receivable are fully collectible, therefore, no allowance for doubtful accounts was recognized at December 31, 2013 and 2012.

Investments

For financial statement purposes, all components of investment accounts held within investment portfolios, including temporary cash positions and money market funds, are considered to be investments. Investments in common stock, bonds, mutual funds and money market funds are reported at fair value. The gains and losses on investments are reported in the statements 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. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Revenue recognition

*Contributions*

Contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of the Foundation's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted if the restriction expires in the same reporting period in which the contribution is recognized.

*Special events*

Revenue from special events is recognized in the period the events occur. Revenue received relating to future periods is recorded as deferred revenue in the accompanying financial statements.

*In-kind contributions*

Donated materials, services and use of facilities 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. The Foundation received donated space and goods valued at \$6,500 and \$4,853, respectively, for the year ended December 31, 2013. The Foundation received donated space and goods valued at \$6,000 and \$4,050, respectively, for the year ended December 31, 2012. Such amounts are included in contributions revenue and charged to program services expense in the accompanying statements of activities.

Many individuals volunteer their time and perform a variety of task that assists the Foundation. The value of these contributed services is not recorded as in-kind contributions since the criteria was not met under the applicable accounting standards.

# COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

### Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

### Reclassification

Certain 2012 amounts have been reclassified to conform with the 2013 presentation. None of the reclassifications, however, affected the 2012 change in net assets.

### Component funds

A Component Fund is a designation established for contributions received by the Foundation for a specific purpose, according to the donor's instructions at the time the gift is made, and held as an asset of the Foundation. The Foundation's board reserves the right of variance power with all such funds. The variance power gives the Foundation the ability to modify donor restrictions that are incapable of fulfillment or are no longer consistent with the charitable needs of the community. There are six types of funds that are created as unrestricted endowed or nonendowed funds.

Component funds of the Foundation, by type, are as follows:

- Discretionary funds address the ever changing needs in the broader community.
- Field-of-interest funds address the needs in an important area of community life, such as the arts, aging, youth, etc.
- Advised funds address the needs recommended by the donor.
- Designated funds address the needs of a specific organization or purpose.
- Organization funds address the needs of a specific non-profit organization or may be set up to solely support the named non-profit organization.
- Scholarship funds address educational or vocational scholarships for area youth.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

**3. Investments and fair value measurements**

Investments are comprised of the following at December 31:

	<u>2013</u> <u>Cost</u>	<u>2013</u> <u>Fair Value</u>	<u>2012</u> <u>Cost</u>	<u>2012</u> <u>Fair Value</u>
U.S. equities	\$ 436,163	\$ 576,230	\$ 429,953	\$ 525,956
Corporate bonds	140,648	136,184	145,545	180,024
Government bonds	137,761	129,185	-	-
Mutual funds, equities	89,543	102,069	-	-
Mutual funds, fixed income	69,524	69,548	35,360	35,456
Money market funds	28,646	28,646	128,583	128,853
International equities	<u>-</u>	<u>-</u>	<u>84,933</u>	<u>90,749</u>
Total investments	\$ <u>902,285</u>	\$ <u>1,041,862</u>	\$ <u>824,374</u>	\$ <u>961,038</u>

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

	<u>2013</u>	<u>2012</u>
Dividends	\$ 12,604	\$ 13,046
Interest	11,136	11,847
Realized loss on investments	(45,949)	(34,304)
Unrealized gain on investments	<u>168,258</u>	<u>110,286</u>
Total investment income	\$ <u>146,049</u>	\$ <u>100,875</u>

The table below presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. equities	\$ 576,230	\$ -	\$ 576,230
Corporate bonds	-	136,184	136,184
Government bonds	-	129,185	129,185
Mutual funds, equities	102,069	-	102,069
Mutual fund, fixed income	69,548	-	69,548
Money market funds	<u>28,646</u>	<u>-</u>	<u>28,646</u>
Total investments	\$ <u>776,493</u>	\$ <u>265,369</u>	\$ <u>1,041,862</u>

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

The table below presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. equities	\$ 525,956	\$ -	\$ 525,956
Corporate bonds	-	180,024	180,024
Mutual funds, fixed income	35,456	-	35,456
Money market funds	128,853	-	128,853
International equities	<u>90,749</u>	<u>-</u>	<u>90,749</u>
Total investments	<u>\$ 781,014</u>	<u>\$ 180,024</u>	<u>\$ 961,038</u>

**4. Endowment funds**

The Foundation's endowment consists of seven named individual funds established for a variety of purposes to provide for the long-term support of the community of southern Maryland. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. However, as a result of the Foundation's variance power, all contributions not classified as temporarily restricted are classified as unrestricted net assets in the accompanying financial statements.

Management has interpreted Maryland's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowed funds, absent explicit donor stipulations to the contrary. As of December 31, 2013 and 2012, the Foundation did not hold any endowment funds classified as permanently restricted, due to the variance power vested in the Board of Directors. The Foundation classifies as unrestricted endowed net assets (a) the original value of gifts donated to the unrestricted endowment, (b) the original value of subsequent gifts to the unrestricted endowment, and (c) accumulations to the unrestricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

The Foundation considers the following factors in making a determination to appropriate or accumulate endowed funds: (1) duration and preservation of the fund; (2) purposes of the Foundation and the endowed fund; (3) general economic conditions; (4) possible effects of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Foundation; and (7) investment policies of the Foundation.

The Foundation's Board of Directors has adopted a "Total Return" approach to determine the annual amount available for grant making from the Foundation's endowed component funds. Under this philosophy, the Foundation appropriates a maximum of four percent of its assets each year, assuming the component fund has been in existence for three years, while maintaining and increasing the real value of its assets and covering reasonable administrative expenses. The amount available for appropriation each year is calculated once annually in January using a spending rate of up to four percent based on the ending fair value for the preceding year of each fund.

Endowment net asset composition by type of fund was as follows for the years ended December 31:

	<u>2013</u>		
	<u>Unrestricted</u>	<u>Unrestricted, endowed</u>	<u>Total</u>
Donor endowed funds	\$ 118,336	\$ 866,907	\$ 985,243
Chaney Team Legacy quasi-endowed unrestricted fund	<u>14,625</u>	<u>-</u>	<u>14,625</u>
Total	<u>\$ 132,961</u>	<u>\$ 866,907</u>	<u>\$ 999,868</u>
	<u>2012</u>		
	<u>Unrestricted</u>	<u>Unrestricted, endowed</u>	<u>Total</u>
Donor endowed funds	\$ 31,729	\$ 866,907	\$ 898,636
Chaney Team Legacy quasi-endowed unrestricted fund	<u>12,902</u>	<u>-</u>	<u>12,902</u>
Total	<u>\$ 44,631</u>	<u>\$ 866,907</u>	<u>\$ 911,538</u>

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Changes in endowment net assets were as follows for the year December 31, 2013:

	<u>Unrestricted</u>	<u>Unrestricted, endowed</u>	<u>Total</u>
Endowment net assets, January 1, 2013	\$ 44,631	\$ 866,907	\$ 911,538
Investment return:			
Interest and dividends earned	23,685	-	23,685
Net appreciation	<u>122,310</u>	<u>-</u>	<u>122,310</u>
Total investment return	190,626	-	145,995
Contributions	-	-	-
Appropriation of assets for expenditure	<u>(57,665)</u>	<u>-</u>	<u>(57,665)</u>
Endowment net assets, December 31, 2013	<u>\$ 132,961</u>	<u>\$ 866,907</u>	<u>\$ 999,868</u>

Endowment income and appreciation are classified as unrestricted net assets.

Changes in endowment net assets were as follows for the year December 31, 2012:

	<u>Unrestricted</u>	<u>Unrestricted, endowed</u>	<u>Total</u>
Endowment net assets, January 1, 2012	\$ 2,410	\$ 853,057	\$ 855,467
Investment return:			
Interest and dividends earned	24,801	-	24,801
Net appreciation	<u>75,982</u>	<u>-</u>	<u>75,982</u>
Total investment return	103,193	-	100,783
Contributions	-	13,850	13,850
Appropriation of assets for expenditure	<u>(58,562)</u>	<u>-</u>	<u>(58,562)</u>
Endowment net assets, December 31, 2012	<u>\$ 44,631</u>	<u>\$ 866,907</u>	<u>\$ 911,538</u>

The Foundation's investment objectives for the endowment funds is to achieve maximum returns without exposure to undue risk. The investment strategy 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 Foundation's investment guidelines.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

**5. Retirement plan**

The Foundation offers a SIMPLE-IRA (Savings Incentive Match Plan for Employees) to full-time employees who are eligible to participate after one year from their date of hire. The Foundation contributes an amount equal to 5 percent of the employees' gross salary or wages. Retirement plan expense was \$1,200 and \$1,400 for the years ended December 31, 2013 and 2012, respectively.

**6. Restatement**

The accompanying financial statements for the year ended December 31, 2012 have been restated to adjust the classification of net assets at January 1, 2012. The result of the restatement increased "unrestricted net assets" and decreased "temporarily restricted net assets" by \$110,571 and increased "unrestricted, endowed net assets" and decreased "permanently restricted net assets" by \$866,907. The restatement had no effect on total net assets. Unrestricted, unrestricted endowed, temporarily and permanently restricted net assets were corrected as follows at January 1, 2012:

	<u>Unrestricted</u>	Unrestricted, <u>endowed</u>	Temporarily <u>restricted</u>	Permanently <u>restricted</u>	<u>Total</u>
Net assets, as previously stated	\$ 18,199	\$ -	\$ 67,384	\$ 853,057	\$ 938,640
Reclassification of net assets, unrestricted	67,384	-	(67,384)	-	-
Reclassification of net assets, unrestricted, endowed	<u>-</u>	<u>853,057</u>	<u>-</u>	<u>(853,057)</u>	<u>-</u>
Net assets, as restated	<u>\$ 85,583</u>	<u>\$ 853,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,640</u>

Additionally, the restatement decreased 2012 temporarily and permanently restricted revenue by \$43,187 and \$13,850, respectively, and increased unrestricted revenue by \$57,037.

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**7. Subsequent events**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 18, 2014, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

**SUPPLEMENTAL INFORMATION**

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total expenses</u>
Grants	\$ 93,585	\$ -	\$ -	\$ -	\$ 93,585
Salaries	32,114	12,450	5,677	18,127	50,241
Supplies	5,116	-	888	888	6,004
Accounting fees	5,859	2,271	1,036	3,307	9,166
Occupancy	4,155	1,611	735	2,346	6,501
Professional fees	10,702	-	-	-	10,702
Payroll taxes	2,830	1,097	500	1,597	4,427
Dues and memberships	763	296	400	696	1,459
Telephone	593	230	105	335	928
Printing and publications	3,462	-	976	976	4,438
Internet technology expenses	1,285	498	227	725	2,010
Insurance	741	287	542	829	1,570
Postage and shipping	106	41	19	60	166
Bank fees	605	25	344	369	974
Office expenses	1,073	416	190	606	1,679
Computer software	513	199	91	290	803
Advertising	1,375	-	50	50	1,425
Retirement plan expense	767	297	136	433	1,200
Special events - direct benefits to donors	<u>71,029</u>	<u>-</u>	<u>14,046</u>	<u>14,046</u>	<u>85,075</u>
Total expenses	<u>\$ 236,673</u>	<u>\$ 19,718</u>	<u>\$ 25,962</u>	<u>\$ 45,680</u>	<u>\$ 282,353</u>

**COMMUNITY FOUNDATION OF SOUTHERN MARYLAND, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total support services</u>	<u>Total expenses</u>
Grants	\$ 149,904	\$ -	\$ -	\$ -	\$ 149,904
Salaries	31,039	14,590	4,562	19,152	50,191
Supplies	8,029	-	983	983	9,012
Accounting fees	5,159	2,425	758	3,183	8,342
Occupancy	3,710	1,744	545	2,289	5,999
Professional fees	4,373	-	-	-	4,373
Payroll taxes	2,633	1,238	387	1,625	4,258
Dues and memberships	1,388	653	564	1,217	2,605
Telephone	1,144	538	168	706	1,850
Printing and publications	1,963	-	3,772	3,772	5,735
Internet technology expenses	1,113	523	563	1,086	2,199
Insurance	725	341	107	448	1,173
Postage and shipping	155	73	68	141	296
Bank fees	315	257	1,161	1,418	1,733
Office expenses	266	125	259	384	650
Retirement plan expense	866	407	127	534	1,400
Special events - direct benefits to donors	<u>38,030</u>	<u>-</u>	<u>8,960</u>	<u>8,960</u>	<u>46,990</u>
Total expenses	<u>\$ 250,812</u>	<u>\$ 22,914</u>	<u>\$ 22,984</u>	<u>\$ 45,898</u>	<u>\$ 296,710</u>