

**COMMUNITY FOUNDATION OF
HARFORD COUNTY, INC.**

Financial Statements

June 30, 2011 and 2010

(With Independent Accountant's Review Report)

Leo J. Knighton

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Independent Accountant's Review Report

The Board of Directors
Community Foundation of Harford County, Inc.:

I have reviewed the accompanying statements of financial position of Community Foundation of Harford County, Inc. (CFHC) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended, and the supplementary information presented on Schedules 1 and 2 which are presented only for supplementary analysis purposes. A review includes primarily applying analytical procedures to management's financial data and performing inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require that I perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be presented in conformity with accounting principles generally accepted in the United States of America.

L. J. Knighton

March 5, 2012

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Statements of Financial Position

June 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Assets:		
Operating assets:		
Cash - operating	\$ 42,085	23,232
Cash - temporarily restricted	-	12,522
Investments (note 3)	10,015	8,471
Pledge receivable (note 4)	9,762	-
Prepaid expense	341	497
Office furnishings and equipment, net of accumulated depreciation and amortization of \$1,359 as of June 30, 2011 and \$755 as of June 30, 2010	<u>453</u>	<u>1,057</u>
Total operating assets	62,656	45,779
Endowment and accumulator assets:		
Investments	<u>272,447</u>	<u>140,614</u>
Total endowment and accumulator assets	<u>272,447</u>	<u>140,614</u>
Total assets	<u>\$335,103</u>	<u>186,393</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>2,984</u>	<u>1,814</u>
Total liabilities	<u>2,984</u>	<u>1,814</u>
Net assets (note 5):		
Unrestricted	<u>56,842</u>	<u>22,972</u>
Temporarily restricted:		
Accumulator funds	11,018	2,855
Operating funds	<u>2,830</u>	<u>20,993</u>
Total temporarily restricted net assets	<u>13,848</u>	<u>23,848</u>
Permanently restricted - endowment funds	<u>261,429</u>	<u>137,759</u>
Total net assets	<u>332,119</u>	<u>184,579</u>
Total liabilities and net assets	<u>\$335,103</u>	<u>186,393</u>

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Statements of Activities

Years ended June 30, 2011 and 2010

	2011			2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets:							
Support and revenues:							
Contributions (note 6):							
Grants	\$ 55,500	5,000	-	-	15,000	-	15,000
Additions to accumulator and endowment funds (note 6)	-	32,775	112,522	-	13,392	17,000	30,392
Other financial contributions	36,803	-	-	13,033	-	-	13,033
Contributed facilities and materials (note 6)	6,000	-	-	6,000	-	-	6,000
Management fees	2,710	-	-	-	-	-	-
Investment returns (note 3)	12,750	1,388	13,815	2,025	-	3,046	5,071
Other	5,758	-	-	-	-	-	-
Net assets released from restrictions - satisfaction of restrictions	49,163	(49,163)	-	87,709	(87,709)	-	-
Reduction of endowment fund pursuant to approved program distributions	2,667	-	(2,667)	-	-	-	-
Transfers of accumulator funds to endowment funds	-	-	-	-	(20,516)	20,516	-
Total unrestricted support and revenue	171,351	(10,000)	123,670	108,767	(79,833)	40,562	69,496
Expenses (note 7):							
Program services	68,070	-	-	40,965	-	-	40,965
Administrative services	56,719	-	-	50,607	-	-	50,607
Fund raising	12,692	-	-	8,949	-	-	8,949
Total expenses	137,481	-	-	100,521	-	-	100,521
Changes in net assets	33,870	(10,000)	123,670	8,246	(79,833)	40,562	(31,025)
Net assets at beginning of year	22,972	23,848	137,759	14,726	103,681	97,197	215,604
Net assets at end of year	\$ 56,842	13,848	261,429	22,972	23,848	137,759	184,579

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Statements of Cash Flows

Year ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows provided by (used in) operating activities:		
Increase (decrease) in net assets	\$147,540	(31,025)
Adjustments to reconcile increase (decrease) in net assets to cash used in operating activities:		
Contributed investments	(2,689)	(2,517)
Interest and dividend income	(3,524)	(3,094)
Net realized and unrealized gains and losses on investments net of investment expenses	(24,429)	(1,977)
Depreciation and amortization	604	604
Contributions restricted for long-term investment	(142,630)	(30,392)
Grant receivable	-	50,000
Increase in pledge receivable	(9,762)	-
Decrease in prepaid expenses	156	-
Increases in accounts payable and accrued liabilities	<u>1,170</u>	<u>1,169</u>
Net cash used in operating activities	<u>(33,564)</u>	<u>(17,232)</u>
Cash flows provided by (used in) investing activities:		
Receipts from sales of investments	69,134	52,375
Purchases of investments	(209,019)	(41,296)
Withdrawals of investments	<u>37,150</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(102,735)</u>	<u>11,079</u>
Cash flows provided by (used in) financing activities:		
Receipts of accumulator and endowment funds	<u>142,630</u>	<u>30,392</u>
Net cash provided by financing activities	<u>142,630</u>	<u>30,392</u>
Net increases in cash	6,331	24,239
Cash:		
Beginning of year	<u>35,754</u>	<u>11,515</u>
End of year	<u>\$ 42,085</u>	<u>35,754</u>

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

June 30, 2011 and 2010

(1) Organization and purpose

The Community Foundation of Harford County, Inc. (CFHC) was formed in 2006 as a not-for-profit organized exclusively for educational, scientific and charitable purposes. The CFHC is committed to promoting and increasing philanthropy by building and managing permanent endowments and gifts to meet the present and emerging needs of Harford County, Maryland and its nonprofit community. The CFHC is dependent upon the financial support from contributions from individuals, businesses and other sources.

The CFHC is exempt from Federal and State income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

(2) Summary of significant accounting policies

The significant accounting policies of CFHC are as follows:

Basis of accounting - The financial statements of CFHC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

As required by the *Financial Statements of Not-for-Profit Organizations* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the CFHC presents its financial statements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Such classifications are determined upon grantor or donor imposed restrictions.

Unrestricted net assets include the net assets that are not subject to externally imposed restrictions; temporarily restricted net assets are subject to externally imposed restrictions that may or will be satisfied by actions of CFHC or the passage of time; and, permanently restricted net assets, are subject to externally imposed restrictions which are permanent in nature.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(2) Summary of significant accounting policies (continued)

Use of estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make periodic estimates and assumptions that effect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the amounts estimated and reported upon.

Investments - Investments are presented at estimated fair value based upon quoted market prices provided by third party trustees and investment managers. Interest and dividend income is recorded when such income is determinable. Realized and unrealized gains and losses are included as investment returns in the statements of activities.

Fair value of financial instruments - The estimated fair values of CFHC's financial instruments (other than investments) consisting principally of cash, pledge(s) receivable and accounts payable, approximate their respective carrying values for financial reporting purposes due to their short-term nature.

Office furnishings and equipment - Office furnishings and equipment with an estimated useful life in excess of one year are capitalized and recorded at cost, if purchased, or estimated fair value, if contributed. Depreciation and amortization are provided on the straight line basis over the estimated useful lives of the assets. The costs of maintenance and repairs is charged to operations as incurred.

Public support and revenues - Public support and revenues are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor imposed restrictions. Upon the expiration or satisfaction of a restriction, temporarily restricted net assets are reclassified in the statements of activities as net assets released from restrictions and are transferred to unrestricted net assets.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(2) Summary of significant accounting policies (continued)

Public support and revenues (continued) - Public support and revenues which are restricted are to be reported as an increase in unrestricted net assets if the expiration or satisfaction of the restriction occurs in the same financial reporting period in which the public support and revenues are recognized. All other donor restricted funds are to be reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction.

Revenues which have donor imposed restrictions which are permanent in nature are classified as an increase in permanently restricted net assets. Income derived from permanently restricted net assets are recognized as unrestricted revenues or temporarily restricted revenues pursuant to donor imposed restrictions, as applicable.

Contributed facilities and services - Certain facilities and materials have been periodically contributed to CFHC or obtained at a significant discount. The estimated fair value of such contributions are estimated by management and reported as public support and revenues and as an expense.

Certain volunteers have donated time to the organization's supporting services for which there is no method to objectively measure the fair value or may not qualify pursuant to generally accepted accounting principles. No amounts have been reflected in the financial statements for these contributed services.

Functional expenses - The cost of providing management and administrative and program activities have been reflected on a functional basis in the statements of activities.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(3) Investments

Investments consist of the following as of June 20, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As of June 30, 2011:				
Wells Fargo Advisors:				
Mutual funds	\$ -	-	215,140	215,140
Fixed income securities	-	-	25,569	25,569
Cash and sweep balances	7,048	13,848	20,720	41,616
Accrued income	<u>137</u>	<u>-</u>	<u>-</u>	<u>137</u>
	<u>\$ 7,185</u>	<u>13,848</u>	<u>261,429</u>	<u>282,462</u>
As of June 30, 2010:				
Wells Fargo Advisors:				
Mutual funds	\$ -	-	120,988	120,988
Fixed income securities	-	40	16,771	16,811
Cash and sweep balances	-	11,095	-	11,095
Accrued income	<u>-</u>	<u>191</u>	<u>-</u>	<u>191</u>
	<u>\$ -</u>	<u>11,326</u>	<u>137,759</u>	<u>149,085</u>

The following schedule summarizes investment returns for the year ended June 30, 2011 and 2010 from all sources and its classification in the statements of activities:

Year ended June 30, 2011:				
Interest and dividends	\$ 36	227	3,261	3,524
Realized losses, net	(585)	(53)	(487)	(1,125)
Unrealized gains	14,226	1,299	11,810	27,335
Investment expenses	<u>(927)</u>	<u>(85)</u>	<u>(769)</u>	<u>(1,781)</u>
Total return on investments	<u>\$ 12,750</u>	<u>1,388</u>	<u>13,815</u>	<u>27,953</u>
Year ended June 30, 2010:				
Interest and dividends	\$ 1,235	-	1,859	3,094
Realized gains	1,649	-	2,477	4,126
Unrealized losses	(258)	-	(389)	(647)
Investment expenses	<u>(601)</u>	<u>-</u>	<u>(901)</u>	<u>(1,502)</u>
Total return on investments	<u>\$ 2,025</u>	<u>-</u>	<u>3,046</u>	<u>5,071</u>

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with these investments, it is possible that changes in the fair values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(3) Investments (continued)

As required by the *Fair Value Measurements* Topic of the FASB Accounting Standards Codification, a fair value hierarchy that prioritizes inputs to valuation techniques is to be used to measure fair value of financial instruments. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs. In general, fair value measurements using Level 1 inputs generally provide the most reliable evidence of fair value and Level 3 inputs provide the lowest priority. Level 3 inputs are used when Level 1 or Level 2 inputs were not available. The CFHC's investments using fair value measurements are considered to be measured using Level 1 inputs.

(4) Pledge receivable

As of June 30, 2011, the estimated cash flows and net present value of a pledge receivable are as follows:

Amounts due in one year	\$ 5,000
Amounts due in two to five years	<u>5,000</u>
Total commitment	10,000
Unamortized discount	<u>238</u>
Net present value	<u>\$ 9,762</u>

Pledges are reflected at the present value of the estimated cash flows using an estimated discount rate of 5% for pledges committed beyond one year.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(5) Restricted net assets

As of June 30, 2011 and 2010, permanently restricted and temporarily restricted net assets were available for the following activities:

	<u>2011</u>		<u>2010</u>	
	Permanently restricted net assets held for <u>endowment</u>	Temporarily restricted net assets	Permanently restricted net assets held for <u>endowment</u>	Temporarily restricted net assets
Scholarships to benefit advanced instrumental music students	\$ 97,333	-	100,000	-
Women's Giving Circle	28,612	-	-	-
Children in Harford County, Maryland	25,839	-	17,000	-
Boys and Girls Clubs of Harford County, Maryland	20,000	-	-	-
Operational endowment for CFHC	12,000	-	-	-
Respite care for adult caregivers	11,985	-	-	-
Animal welfare	10,000	-	10,000	-
Support for not-for-profit homeless organizations	10,000	-	-	-
Humane society and at-risk children	10,000	-	-	-
Support of the Ward Family Center located in Aberdeen, Maryland	10,000	-	-	-
Nursing scholarships within Harford County, Maryland residents	4,816	-	4,730	-
Undesignated for charitable purposes	<u>11,517</u>	<u>-</u>	<u>10,517</u>	<u>-</u>
Total endowment contributions	252,102	-	142,247	-
Accumulated unrealized appreciation (depreciation)	9,327	-	(4,488)	-
Accumulator funds	-	11,018	-	2,855
Operating grant(s)	<u>-</u>	<u>2,830</u>	<u>-</u>	<u>20,993</u>
Total	<u>\$261,429</u>	<u>13,848</u>	<u>137,759</u>	<u>23,848</u>

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(5) Restricted net assets (continued)

Consistent with the CFHC management's interpretation of the applicable law(s) that underlie the classification of donor-restricted endowment funds, permanently restricted net assets held for endowment are to be held for perpetuity with the intention that only the related income derived from the investment of these net assets may provide the support for the program activities as identified by the donor. Effective during 2009, the State of Maryland adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. CFHC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the discretion of the applicable donor gifts at time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund, including accumulator funds, that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are explicitly appropriated by the CFHC Board of Directors for expenditure in a manner consistent with the standard of prudence as described by the UPMIFA.

Accumulator funds are donor contributions which are contributed over a period of specified time which, ultimately, are expected to amount to the minimum required amount for classification as a permanently restricted endowment. In the event that the total contributed funds do not attain the minimum level for endowment in the specified time, the CFHC may disburse such funds for other charitable purposes.

The investment goal is to provide income and capital growth to be used for future financial obligations of CFHC while limiting the risk of funds in order to preserve the endowed principal. The investment objective is pursued as a long-term goal designed to maximize investment returns after expenses while limiting exposure to investment risk.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(5) Restricted net assets (continued)

Changes in endowment net assets for the year ended June 30, 2010 and 2009 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Year ended June 30, 2011:				
Endowment net assets, June 30, 2010	\$ -	2,855	137,759	140,614
Contributions	-	32,775	112,522	145,297
Reductions	-	(26,000)	(2,667)	(28,667)
Net additions	-	6,775	109,855	116,630
Investment income (loss):				
Interest and dividends	-	227	3,261	3,488
Realized and unrealized gains	-	1,161	10,554	11,715
Net investment gains	-	1,388	13,815	15,203
Endowment net assets, June 30, 2011	\$ -	11,018	261,429	272,447
Year ended June 30, 2010:				
Endowment net assets, June 30, 2009	\$ -	10,130	97,197	107,327
Contributions	-	13,392	17,000	30,392
Other changes	-	(151)	-	(151)
Transfers	-	(20,516)	20,516	-
Net additions	-	(7,275)	37,516	30,241
Investment income (loss):				
Interest and dividends	-	-	1,859	1,859
Realized and unrealized gains and losses	-	-	1,187	1,187
Net investment gains	-	-	3,046	3,046
Endowment net assets, June 30, 2010	\$ -	2,855	137,759	140,614

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(6) Concentrations

Concentrations of financial contributions during the years ended June 30, 2011 and 2010 consisted of:

	<u>2011</u>	<u>2010</u>
One foundation	\$ 98,000	15,000
Individual contributors:		
A	28,612	-
B	20,000	-
C	14,762	-
D	5,842	20,997
Other contributors	<u>75,384</u>	<u>22,428</u>
Total	<u>\$242,600</u>	<u>58,425</u>

(7) Contributed facilities and materials

For the years ended June 30, 2011 and 2010, there were contributed facilities amounting to \$6,000 annually provided to the organization.

(8) Income tax

The management of CFHC has evaluated the organization's tax position relative to FASB ASC 740, *Income Taxes* (which include FASB Interpretation No. 48 (FIN 48) - *Accounting for Uncertainties in Income Tax*) and concluded that the organization has maintained its tax exempt status and has taken no uncertain tax positions. Accordingly, no provision for income tax has been included in the financial statements. With few exceptions, CFHC is not subject to income tax examination for years prior to 2008.

(9) Evaluation of subsequent events

The management of CFHC has evaluated subsequent events through March 5, 2012, the date which the financial statements were available to be issued.

Schedule 1

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Schedule of Financial Position

Years ended June 30, 2011 and 2010

	2011		2010	
	Operating	Endowment and Accumulator Funds	Operating	Endowment and Accumulator Funds
Assets:				
Cash	\$42,085	-	23,232	-
Cash - temporarily restricted	-	-	12,522	-
Investments	10,015	272,447	8,471	140,614
Pledge receivable	9,762	-	-	-
Office furnishings and equipment, net of accumulated depreciation and amortization of \$1,359 as of June 30, 2011 and \$755 as of June 30, 2010	341	341	497	-
Total	<u>453</u>	<u>272,447</u>	<u>1,057</u>	<u>1,057</u>
	<u>\$62,656</u>	<u>335,103</u>	<u>45,779</u>	<u>140,614</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,984	-	1,814	-
Net assets:				
Unrestricted - operating	56,842	-	22,972	-
Temporarily restricted	2,830	11,018	20,993	2,855
Permanently restricted - endowment	-	261,429	-	137,759
Total net assets	<u>59,672</u>	<u>272,447</u>	<u>43,965</u>	<u>140,614</u>
Total liabilities and net assets	<u>\$62,656</u>	<u>335,103</u>	<u>45,779</u>	<u>140,614</u>

See independent accountant's review report.

Schedule 2

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Schedule of Functional Expenses

Years ended June 30, 2011 and 2010

	2011			2010			
	Program services	Administrative services	Fund raising	Program services	Administrative services	Fund raising	Total
Employment related costs:							
Compensation	\$20,667	31,000	10,333	16,533	25,908	8,267	50,708
Payroll taxes	1,710	2,565	854	1,365	2,138	682	4,185
Employee benefit	702	1,054	351	-	-	-	-
Total employment related costs	23,079	34,619	11,538	17,898	28,046	8,949	54,893
Awards and grants	39,228	-	-	9,850	-	-	9,850
Contract services	750	5,838	-	7,500	1,278	-	8,778
Facilities	-	6,000	-	-	6,000	-	6,000
Supplies	772	1,989	544	-	795	-	795
Insurance	-	1,807	-	-	1,319	-	1,319
Professional fees	-	1,500	-	-	1,300	-	1,300
Dues	-	1,270	-	-	1,705	-	1,705
Advertising	-	627	-	-	5,069	-	5,069
Telephone	591	591	610	763	763	-	1,526
Printing	-	450	-	-	152	-	152
Postage and shipping	-	390	-	-	269	-	269
Travel	-	195	-	-	458	-	458
Website development	-	-	-	4,954	-	-	4,954
Staff development	-	-	-	-	1,020	-	1,020
Equipment	-	-	-	-	676	-	676
Conferences and meetings	-	-	-	-	302	-	302
Depreciation and amortization	-	604	-	-	604	-	604
Other	3,650	839	-	-	851	-	851
	\$68,070	56,719	12,692	40,965	50,607	8,949	100,521

See independent accountant's review report.