

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

Financial Statements

June 30, 2012 and 2011

(With Independent Accountant's Review Report)

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Independent Accountant's Review Report

To the Management and
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, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. 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.

My review was made primarily for the purposes of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I did not become aware of any material modifications that should be made to such information.

L. J. Knighton

March 5, 2013

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Statements of Financial Position

June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Assets:		
Cash - operating	\$ 56,922	42,085
Cash - restricted	3,905	-
Investments, at fair value (note 3)	311,254	282,462
Pledges receivable (note 4)	9,309	9,762
Grant receivable	1,500	-
Prepaid expense	1,250	341
Office furnishings and equipment, net of accumulated depreciation and amortization of \$1,812 as of June 30, 2012 and \$1,359 as of June 30, 2011	-	453
Total assets	<u>\$384,140</u>	<u>335,103</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,654	2,984
Total liabilities	<u>6,654</u>	<u>2,984</u>
Net assets (note 7):		
Unrestricted	66,964	56,842
Temporarily restricted	50,335	42,495
Permanently restricted - endowment funds	<u>260,187</u>	<u>232,782</u>
Total net assets	<u>377,486</u>	<u>332,119</u>
Total liabilities and net assets	<u>\$384,140</u>	<u>335,103</u>

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Statements of Activities

Years ended June 30, 2012 and 2011

	2012			2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets:							
Support and revenues:							
Contributions (note 5):							
Grants	\$ 41,000	18,000	-	55,500	5,000	-	60,500
Additions to accumulator and endowment funds (note 7)	-	3,922	27,405	-	6,775	90,535	97,310
Other financial contributions	53,319	36,100	-	64,865	19,925	-	84,790
Contributed facilities and materials (note 6)	6,000	-	-	6,000	-	-	6,000
Management fees	4,570	-	-	2,710	-	-	2,710
Investment returns (note 3)	231	(2,334)	-	10,688	17,265	-	27,953
Other	617	-	-	5,758	-	-	5,758
Net assets released from restrictions:							
- satisfaction of restrictions	38,383	(38,383)	-	27,651	(27,651)	-	-
- satisfaction of endowment fund objectives	9,465	(9,465)	-	2,667	(2,667)	-	-
Total unrestricted support and revenue	<u>153,585</u>	<u>7,840</u>	<u>27,405</u>	<u>175,839</u>	<u>18,647</u>	<u>90,535</u>	<u>285,021</u>
Expenses (note 6):							
Program services	68,316	-	-	68,070	-	-	68,070
Administrative services	60,533	-	-	56,719	-	-	56,719
Fund raising	14,614	-	-	12,692	-	-	12,692
Total expenses	<u>143,463</u>	<u>-</u>	<u>-</u>	<u>137,481</u>	<u>-</u>	<u>-</u>	<u>137,481</u>
Changes in net assets	10,122	7,840	27,405	38,358	18,647	90,535	147,540
Net assets at beginning of year	56,842	42,495	232,782	18,484	23,848	142,247	184,579
Net assets at end of year	<u>\$ 66,964</u>	<u>50,335</u>	<u>260,187</u>	<u>56,842</u>	<u>42,495</u>	<u>232,782</u>	<u>332,119</u>

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Statements of Cash Flows

Year ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows provided by (used in) operating activities:		
Increases in net assets	\$ 45,367	147,540
Adjustments to reconcile increases in net assets to cash provided by (used in) operating activities:		
Contributed investments	(2,477)	(2,689)
Interest and dividend income	(5,750)	(3,524)
Net realized and unrealized (gains) and losses on investments net of investment expenses	7,853	(24,429)
Depreciation and amortization	453	604
Contributions restricted for long-term investment	(31,327)	(97,310)
(Increases) decreases in:		
Pledges receivable	453	(9,762)
Grant receivable	(1,500)	-
Prepaid expenses	(909)	156
Increases in accounts payable and accrued liabilities	<u>3,670</u>	<u>1,170</u>
Net cash provided by operating activities	<u>15,833</u>	<u>11,756</u>
Cash flows provided by (used in) investing activities:		
Receipts from sales of investments	15,544	69,134
Purchases of investments	(85,331)	(209,019)
Withdrawals of investments	<u>41,369</u>	<u>37,150</u>
Net cash used in investing activities	<u>(28,418)</u>	<u>(102,735)</u>
Cash flows provided by (used in) financing activities:		
Net receipts of accumulator and endowment funds	<u>31,327</u>	<u>97,310</u>
Net cash provided by financing activities	<u>31,327</u>	<u>97,310</u>
Net increases in cash	18,742	6,331
Cash:		
Beginning of year	<u>42,085</u>	<u>35,754</u>
End of year	<u>\$ 60,827</u>	<u>42,085</u>

See accompanying notes and independent accountant's review report.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

June 30, 2012 and 2011

(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.

Reclassifications - Certain amounts reflected in the 2011 financial statements have been reclassified in order to conform to the financial statement presentation for 2012.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(3) Investments

Investments consist of the following as of June 20, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Wells Fargo Advisors:		
Mutual funds - equities	\$234,726	215,140
Fixed income securities	16,178	25,569
Cash and sweep balances	60,245	41,616
Accrued income	<u>105</u>	<u>137</u>
	<u>\$311,254</u>	<u>282,462</u>

The following schedule summarizes investment returns for the years ended June 30, 2012 and 2011 from all sources and its classification in the statements of activities:

Interest and dividends	\$ 5,750	3,524
Realized gains	98	(1,125)
Unrealized gains and (losses)	(5,567)	27,335
Investment expenses	<u>(2,384)</u>	<u>(1,781)</u>
Total return on investments	<u>\$ (2,103)</u>	<u>27,953</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.

As required by the *Fair Value Measurements* Topic of the FASB ASC, 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.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(4) Pledges receivable

As of June 30, 2012 and 2011, the estimated cash flows and net present value of pledges receivable are as follows:

	<u>2012</u>	<u>2011</u>
Amounts due in one year	\$ 2,500	5,000
Amounts due in two to five years	<u>7,500</u>	<u>5,000</u>
Total commitment outstanding	10,000	10,000
Unamortized discount	<u>691</u>	<u>238</u>
Net present value	<u>\$ 9,309</u>	<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.

(5) Concentrations

Concentrations of financial contributions during the years ended June 30, 2012 and 2011 consisted of:

Foundations and corporate:		
A	\$ 57,500	98,000
B	15,000	-
C	12,500	-
Other	<u>94,746</u>	<u>144,600</u>
Total	<u>\$179,746</u>	<u>242,600</u>

(6) Contributed facilities and materials

For the years ended June 30, 2012 and 2011, there were contributed facilities estimated to amount to \$6,000 annually provided to the organization.

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(7) Restricted net assets

As of June 30, 2012 and 2011, permanently restricted and temporarily restricted net assets were available for the following activities:

	<u>2012</u>		<u>2011</u>	
	<u>Permanently restricted net assets held for endowment</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets held for endowment</u>	<u>Temporarily restricted net assets</u>
Scholarships to benefit advanced instrumental music students	\$100,000	4,000	100,000	-
Women's Giving Circle	17,815	52,025	6,625	19,925
Children in Harford County, Maryland	28,839	-	25,839	-
Boys and Girls Clubs of Harford County, Maryland	21,000	-	20,000	-
Operational endowment for CFHC	14,000	-	12,000	-
Respite care for adult caregivers	13,200	-	11,985	-
Humane society and at-risk children	11,450	-	10,000	-
Support for not-for-profit homeless organizations	11,000	-	10,000	-
Nursing scholarships within Harford County, Maryland residents	10,516	-	4,816	-
Animal welfare	10,350	-	10,000	-
Support of the Ward Family Center located in Aberdeen, Maryland	10,000	-	10,000	-
Undesignated for charitable purposes	<u>12,017</u>	<u>-</u>	<u>11,517</u>	<u>-</u>
Total endowment and related contributions	260,187	56,025	232,782	19,925
Accumulated investment appreciation (depreciation)	11,456	(2,401)	10,659	730
Accumulated distributions	(12,132)	(24,000)	(2,667)	-
Accumulator funds	-	15,306	-	11,018
Nonprofit Resource Center	-	2,405	-	-
Harford Grant Academy	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>2,830</u>
Estimated value of funds	259,511	50,335	240,774	34,503
Classified as temporarily restricted net assets	-	-	(7,992)	7,992
Accumulated distributions supported by unrestricted net assets	<u>676</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$260,187</u>	<u>50,335</u>	<u>232,782</u>	<u>42,495</u>

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(7) 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

(7) Restricted net assets (continued)

Changes in accumulator and endowment funds net assets for the years ended June 30, 2012 and 2011 consist of the following:

	<u>Accumulator Funds</u>	<u>Endowment Funds</u>	<u>Total</u>
Year ended June 30, 2012:			
Estimated value of funds, June 30, 2011	\$ <u>11,018</u>	<u>240,774</u>	<u>251,792</u>
Contributions	3,922	27,405	31,327
Distributions	<u>-</u>	<u>(9,465)</u>	<u>(9,465)</u>
Net additions	<u>3,922</u>	<u>17,940</u>	<u>21,862</u>
Investment income (loss):			
Interest and dividends	206	5,328	5,534
Realized and unrealized gains and losses	<u>160</u>	<u>(4,531)</u>	<u>(4,371)</u>
Net investment gains	<u>366</u>	<u>797</u>	<u>1,163</u>
Estimated value of funds, June 30, 2012	\$ <u>15,306</u>	<u>259,511</u>	<u>274,817</u>
Year ended June 30, 2011:			
Estimated value of funds, June 30, 2010	\$ <u>2,855</u>	<u>137,759</u>	<u>140,614</u>
Contributions	6,775	90,535	97,310
Distributions	<u>-</u>	<u>(2,667)</u>	<u>(2,667)</u>
Net additions	<u>6,775</u>	<u>87,868</u>	<u>94,643</u>
Investment income (loss):			
Interest and dividends	227	3,261	3,488
Realized and unrealized gains and losses	<u>1,161</u>	<u>11,886</u>	<u>13,047</u>
Net investment gains	<u>1,388</u>	<u>15,147</u>	<u>16,535</u>
Estimated value of funds, June 30, 2011	\$ <u>11,018</u>	<u>240,774</u>	<u>251,792</u>

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Notes to the Financial Statements

(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 2009.

(9) Evaluation of subsequent events

The management of CFHC has evaluated subsequent events through March 5, 2013, 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, 2012 and 2011

	2012		2011	
	Operating	Endowment and Accumulator Funds	Operating	Endowment and Accumulator Funds
Assets:				
Cash	\$ 56,922	-	42,085	-
Cash - temporarily restricted	3,905	-	-	-
Investments, at fair value	35,761	275,493	38,662	243,800
Pledge receivable	9,309	-	9,762	-
Grant receivable	1,500	-	-	-
Prepaid expenses	1,250	-	341	-
Office furnishings and equipment, net of accumulated depreciation and amortization of \$1,812 as of June 30, 2012 and \$1,359 as of June 30, 2011	-	-	453	-
Total	<u>\$108,647</u>	<u>275,493</u>	<u>91,303</u>	<u>243,800</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,654	-	2,984	-
Net assets:				
Unrestricted - operating	66,964	-	56,842	-
Temporarily restricted	35,029	15,306	31,477	11,018
Permanently restricted - endowment	-	260,187	-	232,782
Total net assets	<u>101,993</u>	<u>275,493</u>	<u>88,319</u>	<u>243,800</u>
Total liabilities and net assets	<u>\$108,647</u>	<u>275,493</u>	<u>91,303</u>	<u>243,800</u>

See independent accountant's review report.

Schedule 2

COMMUNITY FOUNDATION OF HARFORD COUNTY, INC.

Schedule of Functional Expenses

Years ended June 30, 2012 and 2011

	2012			2011		
	Program services	Administrative services	Fund raising	Program services	Administrative services	Fund raising
Employment related costs:						
Compensation	\$21,667	32,500	10,833	20,667	31,000	10,333
Payroll taxes	1,748	2,622	874	1,710	2,565	854
Employee benefit	1,954	2,931	977	702	1,054	351
Total employment related costs	25,369	38,053	12,684	23,079	34,619	11,538
Awards and grants	38,325	-	-	39,228	-	-
Facilities	-	6,000	-	-	6,000	-
Advertising	-	3,717	-	-	627	610
Board retreat	-	3,000	-	-	-	-
Software	-	-	1,740	-	-	-
Conferences and meetings	-	1,533	-	-	-	-
Professional fees	-	1,500	-	-	1,500	-
Telephone	693	694	-	591	591	-
Dues	-	1,270	-	-	1,270	-
Insurance	-	1,170	-	-	1,807	-
Supplies	381	571	190	772	1,989	544
Website development	-	739	-	-	-	-
Equipment	-	535	-	-	-	-
Postage and shipping	-	462	-	-	390	-
Staff development	-	160	-	-	-	-
Printing	-	129	-	-	450	-
Contract services	-	-	-	750	5,838	-
Travel	-	-	-	-	195	-
Depreciation and amortization	-	453	-	-	604	-
Other	3,548	547	-	3,650	839	-
	\$68,316	60,533	14,614	68,070	56,719	12,692
			143,463			137,481

See independent accountant's review report.