

**THE COMMUNITY FOUNDATION
OF HOWARD COUNTY, INC.**

FINANCIAL REPORTS

December 31, 2015 and 2014

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.

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DEMBO JONES

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditors' Report

To The Board of Trustees
The Community Foundation of Howard County, Inc.
Columbia, MD

We have audited the accompanying financial statements of The Community Foundation of Howard County, Inc. (a Maryland non-profit Corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year 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 audit. We conducted our audit 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 express purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluations 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 Community Foundation of Howard County, Inc. as of December 31, 2015, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements as of December 31, 2014, were audited by Cardoni Waddell, LLC who merged with Dembo Jones, PC as of January 1, 2016, and whose report dated July 22, 2015, stated that the financial statements presented fairly, in all material respects, the financial position of The Community Foundation of Howard County, Inc. as of December 31, 2014, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dembo Jones, P.C.

Columbia, Maryland
June 10, 2016

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and Cash Equivalents	\$ 1,075,886	\$ 1,391,034
Pledges Receivable	96,314	186,046
Notes Receivable	-	1,990
Property and Equipment, Net	-	94
Other Assets	114,668	36,946
Long-Term Investments	<u>14,733,982</u>	<u>15,346,356</u>
Total Assets	<u><u>\$ 16,020,850</u></u>	<u><u>\$ 16,962,466</u></u>
Liabilities and Net Assets		
Liabilities:		
Grants Payable	\$ 70,533	\$ 62,900
Accounts Payable	<u>3,773</u>	<u>12,340</u>
Total Liabilities	<u>74,306</u>	<u>75,240</u>
Net Assets:		
Unrestricted	15,925,235	16,841,257
Temporarily Restricted	<u>21,309</u>	<u>45,969</u>
Total Net Assets	<u>15,946,544</u>	<u>16,887,226</u>
Total Liabilities and Net Assets	<u><u>\$ 16,020,850</u></u>	<u><u>\$ 16,962,466</u></u>

The accompanying notes are an integral part of these statements.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Support			
Contributions	\$ 773,866	\$ 5,570	\$ 779,436
Special Events:			
Gross Revenue	93,235	-	93,235
Less Direct Benefit to Donor	(29,866)	-	(29,866)
Net Special Events Revenue	<u>63,369</u>	<u>-</u>	<u>63,369</u>
Investment Income	314,697	-	314,697
Miscellaneous Income	15,180	-	15,180
Net Realized and Unrealized Gain (Loss) on Investments	(634,055)	-	(634,055)
Net Assets Released From Restrictions	<u>30,230</u>	<u>(30,230)</u>	<u>-</u>
Total Revenues, Gains and Support	<u>563,287</u>	<u>(24,660)</u>	<u>538,627</u>
Expenses			
Program Expenses:			
Grants	748,822	-	748,822
Scholarships and Awards	43,744	-	43,744
Designated Programs	<u>347,863</u>	<u>-</u>	<u>347,863</u>
Total Program Expenses	<u>1,140,429</u>	<u>-</u>	<u>1,140,429</u>
Supporting Services:			
Management and General Expenses	122,349	-	122,349
Fundraising Expenses	<u>216,531</u>	<u>-</u>	<u>216,531</u>
Total Supporting Services	<u>338,880</u>	<u>-</u>	<u>338,880</u>
Total Expenses	<u>1,479,309</u>	<u>-</u>	<u>1,479,309</u>
Change in Net Assets	(916,022)	(24,660)	(940,682)
Net Assets, Beginning	<u>16,841,257</u>	<u>45,969</u>	<u>16,887,226</u>
Net Assets, Ending	<u>\$ 15,925,235</u>	<u>\$ 21,309</u>	<u>\$ 15,946,544</u>

The accompanying notes are an integral part of these statements.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Support			
Contributions	\$ 910,974	\$ 33,508	\$ 944,482
Special Events:			
Gross Revenue	91,595	-	91,595
Less Direct Benefit to Donor	(33,261)	-	(33,261)
Net Special Events Revenue	<u>58,334</u>	<u>-</u>	<u>58,334</u>
Investment Income	417,338	-	417,338
Miscellaneous Income	21,056	-	21,056
Net Realized and Unrealized Gain (Loss) on Investments	(135,611)	-	(135,611)
Net Assets Released From Restrictions	<u>26,892</u>	<u>(26,892)</u>	<u>-</u>
Total Revenues, Gains and Support	<u>1,298,983</u>	<u>6,616</u>	<u>1,305,599</u>
Expenses			
Program Expenses:			
Grants	866,998	-	866,998
Scholarships and Awards	46,014	-	46,014
Designated Programs	<u>358,306</u>	<u>-</u>	<u>358,306</u>
Total Program Expenses	<u>1,271,318</u>	<u>-</u>	<u>1,271,318</u>
Supporting Services:			
Management and General Expenses	109,510	-	109,510
Fundraising Expenses	<u>230,277</u>	<u>-</u>	<u>230,277</u>
Total Supporting Services	<u>339,787</u>	<u>-</u>	<u>339,787</u>
Total Expenses	<u>1,611,105</u>	<u>-</u>	<u>1,611,105</u>
Change in Net Assets	(312,122)	6,616	(305,506)
Net Assets, Beginning	<u>17,153,379</u>	<u>39,353</u>	<u>17,192,732</u>
Net Assets, Ending	<u>\$ 16,841,257</u>	<u>\$ 45,969</u>	<u>\$ 16,887,226</u>

The accompanying notes are an integral part of these statements.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (940,682)	\$ (305,506)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	94	281
Net Realized and Unrealized (Gain) Loss on Investments	634,055	135,611
Effects of Changes in Assets and Liabilities:		
Pledges Receivable	89,732	26,170
Other Assets	(77,722)	(29,766)
Grants Payable	7,633	57,900
Accounts Payable	<u>(8,667)</u>	<u>12,340</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>(295,457)</u>	 <u>(102,970)</u>
 Cash Flows From Investing Activities:		
Sale (Purchase) of Long-Term Investments, Net	(114,385)	713,794
Proceeds from Partnership Distribution	<u>94,694</u>	<u>50,204</u>
 Net Cash Provided by (Used in) Investing Activities	 <u>(19,691)</u>	 <u>763,998</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (315,148)	 681,028
Cash and Cash Equivalents, Beginning	 <u>1,391,034</u>	 <u>730,006</u>
Cash and Cash Equivalents, Ending	 <u>\$ 1,075,886</u>	 <u>\$ 1,391,034</u>

The accompanying notes are an integral part of these statements.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1. Nature of Operations and Significant Accounting Policies

Organization

The Community Foundation of Howard County, Inc. (the "Foundation", formerly known as The Columbia Foundation, Inc.) is a community foundation, which provides funds for cultural, educational, human service, arts, environmental, and other charitable endeavors in the Howard County, Maryland community. Revenues are provided by community donations, investment income, and fundraising activities.

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting using the not-for-profit accounting model. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations and may be used at the board's discretion.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met by the passage of time. Pledges Receivable are considered temporarily restricted net assets and upon collection or satisfaction of time will be reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. (Note 2)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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 those estimates.

Pledges

Pledges and present value adjustments, if any, are recorded as contribution revenue in the year the pledges are made. (Note 2)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Grants Payable

Grants approved by the Board of Trustees of the Foundation are recorded as payables in the year the grant is approved.

Property and Equipment

Property and equipment consists of computer software (website) and equipment, and is recorded at cost. Depreciation and amortization are computed on the straight-line method over the expected useful lives of the assets, from three to five years.

Compensated Absences

Compensated absences have not been accrued because the amount is considered immaterial.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1. Nature of Operations and Significant Accounting Policies (continued)

Income Taxes

The Foundation is exempt from taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as a Foundation that is not a private foundation. Entities that are classified under this section of the code are taxed on "unrelated business income" as defined by IRS regulations. The Foundation had no unrelated business income for the years ended December 31, 2015 and 2014. Accordingly, no income tax expense has been provided in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require the Foundation to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. Management has analyzed tax positions taken and has concluded that, as of and for the years ended December 31, 2015 and 2014, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation had no interest and penalties related to income taxes for the years ended December 31, 2015 and 2014. The Foundation's tax returns are subject to possible federal examination, generally for three years after they are filed.

Functional Allocation of Expenses

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

Evaluation of Subsequent Events

Management has evaluated subsequent events through June 10, 2016, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Committed Pledges amounted to \$96,314 and \$186,046 at December 31, 2015 and 2014, respectively. The present value discount was immaterial and not applied to outstanding pledges at December 31, 2015 and 2014. Pledges receivable in less than one year are \$45,894 and pledges receivable over the following three years amount to \$50,420.

Note 3. Note Receivable

During 2001, the Foundation lent \$12,000 to a not-for-profit patient care and complementary medicine center. In 2015, the remaining balance of \$1,990 was written off as bad debt. The balance receivable at December 31, 2014 was \$1,990.

Note 4. Concentration of Credit Risk

The Foundation maintains cash deposits in various financial institutions. At any given time during the year, the balances may exceed the amount insured by the Federal Deposit Insurance Company (FDIC). Management believes that the Foundation is not exposed to any significant credit risk with regards to its cash balances.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5. Property and Equipment

Property and equipment included the following at December 31, 2015:

Computer Software and Equipment	\$ 18,919
Less: Accumulated Depreciation and Amortization	<u>(18,919)</u>
Property and Equipment, Net	<u>\$ -</u>

Note 6. Investments

Fair Value Measurement

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The Foundation's financial assets, recorded at fair value on a recurring basis, primarily relate to investments in available-for-sale securities.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Unadjusted quoted market prices in active markets for identifiable assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the assets or liabilities that rely on management's own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation's investments are reported at their fair value at the measurement date. The fair value of Level 1 investments is based on quoted prices in active markets.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 6. Investments (continued)

The following table summarizes the valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash Equivalents	\$ 91,912	\$ 91,912	\$ -	\$ -
Corporate and Government Bonds	2,243,892	2,243,892	-	-
Exchange Traded & Closed End Funds	2,711,565	2,711,565	-	-
Mutual Funds and Stocks	7,894,479	7,894,479	-	-
Interest in Partnership	877,881	-	-	877,881
Trusts and Publicly Traded Partnerships	153,471	153,471	-	-
Hedge Funds	852,694	852,694	-	-

Level 3 Investments

During 2007, the Foundation received a donation of a limited liability limited partnership (LLLP) interest valued at \$1,286,000. The LLLP owns and operates a low-income housing project in the Howard County community. The Foundation has received \$487,612 in distributions from the project to date. A readily determinable market price is not available for the investment. Management believes the fair market value approximates the capital balance. The Foundation's capital balance was \$877,881 and \$1,119,905 at December 31, 2015 and 2014, respectively.

Capital Balance, 12/31/13	\$ 1,369,830
Share of Net Loss	(200,531)
Distributions	(50,204)
Capital Balance, 12/31/14	\$ 1,119,095
Share of Net Loss	(146,520)
Distributions	(94,694)
Capital Balance, 12/31/15	\$ 877,881

Long-term Investments

Long-term investments, at fair market value, were comprised of the following at December 31:

	2015	2014
Corporate and Government Bonds	\$ 2,243,892	\$ 2,551,028
Exchange Traded & Closed End Funds	2,711,565	2,458,168
Mutual Funds and Stocks	7,894,479	9,061,305
Interest in Partnership	877,881	1,119,095
Trusts and Publicly Traded Partnerships	153,471	156,760
Hedge Funds	852,694	-
	<u>\$ 14,733,982</u>	<u>\$ 15,346,356</u>

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 7. Commitments

The Foundation has an operating lease for their office space through September 2018. Future minimum rents are as follows:

2016	\$ 35,142
2017	36,196
2018	<u>24,609</u>
	<u>\$ 95,947</u>

Note 8. Management Agreement

In September 2013, the Foundation entered into an agreement with Greater Horizons, a non-profit corporation in Kansas City, Missouri. In exchange for an annual fee of \$20,000 and monthly fees equal to 0.0125% of the average of the fair market value of the Assets for the immediately preceding calendar month, the Foundation receives certain back office accounting, legal and administrative services from Greater Horizons. As a part of the agreement, certain assets of the Foundation were retitled from the Foundation's name to "Greater Horizons for the benefit of The Community Foundation of Howard County, Inc." Ultimate variance power, however, remains with the Foundation. The financial terms of the agreement are reviewed annually and renegotiated by both parties. The agreement can be terminated by either party with ninety days notice at which time all assets would be retitled back to the Foundation. Fees for the years ended December 31, 2015 and 2014 were \$43,206 and \$49,086, respectively.

Note 9. Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near-term and that such changes could materially affect the amounts reported in the balance sheets and statements of activities.

Note 10. Reclassifications

Certain reclassifications to prior year balances have been made in the accompanying financial statements to make them consistent with the current year.