

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.

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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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets 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 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 not 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, 2013 and 2012, and the results of its operations and cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

*Cardoni Waddell, LLC*  
Columbia, Maryland  
May 27, 2014

**THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 730,006	\$ 888,673
Pledges Receivable, Net of Discount	212,216	239,061
Notes Receivable, Net of Reserve	1,990	41,326
Property and Equipment, Net	375	3,260
Other Assets	7,180	5,301
Long-Term Investments	<u>16,245,965</u>	<u>14,138,842</u>
<b>Total Assets</b>	<b><u>\$ 17,197,732</u></b>	<b><u>\$ 15,316,463</u></b>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Grants Payable	\$ 5,000	\$ 15,000
Accounts Payable	<u>-</u>	<u>1,999</u>
Total Liabilities	<u>5,000</u>	<u>16,999</u>
Net Assets:		
Unrestricted	17,153,379	15,261,432
Temporarily Restricted	<u>39,353</u>	<u>38,032</u>
Total Net Assets	<u>17,192,732</u>	<u>15,299,464</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 17,197,732</u></b>	<b><u>\$ 15,316,463</u></b>

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, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Support</b>			
Contributions	\$ 879,858	\$ 62,466	\$ 942,324
Special Events:			
Gross Revenue	123,060	-	123,060
Less Direct Benefit to Donor	(28,800)	-	(28,800)
Net Special Events Revenue	<u>94,260</u>	<u>-</u>	<u>94,260</u>
Investment Income	705,499	-	705,499
Miscellaneous Income	6,040	-	6,040
Net Realized and Unrealized Gain (Loss) on Investments	1,560,727	-	1,560,727
Net Assets Released From Restrictions	<u>61,145</u>	<u>(61,145)</u>	<u>-</u>
Total Revenues, Gains and Support	<u>3,307,529</u>	<u>1,321</u>	<u>3,308,850</u>
<b>Expenses</b>			
Program Expenses:			
Grants	718,723	-	718,723
Scholarships and Awards	46,484	-	46,484
Designated Programs	<u>280,467</u>	<u>-</u>	<u>280,467</u>
Total Program Expenses	<u>1,045,674</u>	<u>-</u>	<u>1,045,674</u>
Supporting Services:			
Management and General Expenses	174,401	-	174,401
Fundraising Expenses	<u>195,507</u>	<u>-</u>	<u>195,507</u>
Total Supporting Services	<u>369,908</u>	<u>-</u>	<u>369,908</u>
Total Expenses	<u>1,415,582</u>	<u>-</u>	<u>1,415,582</u>
<b>Change in Net Assets</b>	1,891,947	1,321	1,893,268
<b>Net Assets, Beginning</b>	<u>15,261,432</u>	<u>38,032</u>	<u>15,299,464</u>
<b>Net Assets, Ending</b>	<u>\$ 17,153,379</u>	<u>\$ 39,353</u>	<u>\$ 17,192,732</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, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Support</b>			
Contributions	\$ 765,671	\$ 22,000	\$ 787,671
Special Events:			
Gross Revenue	123,500	-	123,500
Less Direct Benefit to Donor	<u>(27,054)</u>	<u>-</u>	<u>(27,054)</u>
Net Special Events Revenue	96,446	-	96,446
Investment Income	428,453	-	428,453
Recovery of Bad Debt	46,641	-	46,641
Miscellaneous Income	6,886	-	6,886
Net Realized and Unrealized Gain (Loss) on Investments	878,563	-	878,563
Net Assets Released From Restrictions	<u>97,418</u>	<u>(97,418)</u>	<u>-</u>
Total Revenues, Gains and Support	<u>2,320,078</u>	<u>(75,418)</u>	<u>2,244,660</u>
<b>Expenses</b>			
Program Expenses:			
Grants	648,811	-	648,811
Scholarships and Awards	42,950	-	42,950
Designated Programs	<u>291,332</u>	<u>-</u>	<u>291,332</u>
Total Program Expenses	<u>983,093</u>	<u>-</u>	<u>983,093</u>
Supporting Services:			
Management and General Expenses	171,482	-	171,482
Fundraising Expenses	<u>195,590</u>	<u>-</u>	<u>195,590</u>
Total Supporting Services	<u>367,072</u>	<u>-</u>	<u>367,072</u>
Total Expenses	<u>1,350,165</u>	<u>-</u>	<u>1,350,165</u>
<b>Change in Net Assets</b>	969,913	(75,418)	894,495
<b>Net Assets, Beginning</b>	<u>14,291,519</u>	<u>113,450</u>	<u>14,404,969</u>
<b>Net Assets, Ending</b>	<u>\$ 15,261,432</u>	<u>\$ 38,032</u>	<u>\$ 15,299,464</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ 1,893,268	\$ 894,495
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	2,885	3,841
Recovery of Bad Debt	-	(46,561)
Net Realized and Unrealized (Gain) Loss on Investments	(1,310,006)	(789,922)
Effects of Changes in Assets and Liabilities:		
Pledges Receivable, Net of Discount	26,845	141,954
Other Assets	(1,879)	2,202
Grants Payable	(10,000)	(30,000)
Accounts Payable	(1,999)	(5,768)
Deferred Revenue	-	(2,485)
	<u>599,114</u>	<u>167,756</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>		
<b>Cash Flows From Investing Activities:</b>		
Purchase of Long-Term Investments, Net	(830,435)	(174,976)
Proceeds from Partnership Distribution	33,318	29,866
Purchase of Property and Equipment	-	(844)
Proceeds from Notes Receivable	39,336	8,005
	<u>(757,781)</u>	<u>(137,949)</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(158,667)	29,807
<b>Cash and Cash Equivalents, Beginning</b>	<u>888,673</u>	<u>858,866</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 730,006</u>	<u>\$ 888,673</u>

The accompanying notes are an integral part of these statements.

**THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1. SUMMARY OF 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 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 is 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, 2013 AND 2012**

**NOTE 1. SUMMARY OF 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. Accordingly, no income tax expense has been provided in the accompanying financial statements.

The Foundation follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which includes maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold. The Foundation's tax returns are subject to possible federal examination, generally for three years after they are filed.

**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 following table summarizes the valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Cash Equivalents	\$ 493,559	\$ 493,559	\$ -	\$ -
Corporate and Government Bonds	2,626,817	2,626,817	-	-
Exchange Traded & Closed End Funds	2,064,607	2,064,607	-	-
Mutual Funds and Stocks	10,087,915	10,087,915	-	-
Interest in Partnership	1,369,830	-	-	1,369,830
Trusts and Publicly Traded Partnerships	96,796	96,796	-	-

**THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 May 27, 2014, the date the financial statements were available to be issued.

**NOTE 2. PLEDGES RECEIVABLE**

Committed Pledges amounted to \$212,216 and \$239,061 at December 31, 2013 and 2012, respectively. The calculated present value discount was immaterial and not applied to outstanding pledges at December 31, 2013 and 2012. Pledges receivable in less than one year are \$172,864 and pledges receivable over the following three years amount to \$39,352.

**NOTE 3. INTEREST IN PARTNERSHIP**

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 \$437,408 in distributions from the project to date. A readily determinable market price is not available for the investment and as a result, the investment is recorded under the "cost" method of accounting. The Foundation estimates that the sellable value of the investment to be approximately one million dollars. The Foundation's capital balance was \$1,369,830 and \$1,152,427 at December 31, 2013 and 2012, respectively.

**NOTE 4. NOTES RECEIVABLE**

During 2001, the Foundation lent \$12,000 to a not-for-profit patient care and complementary medicine center. The balance receivable at December 31, 2013 and 2012 was \$1,990.

During 2006, the Foundation entered into a note agreement with a not-for-profit home repair and construction organization for \$50,000. The note was paid in full as of December 31, 2013. The balance at December 31, 2012 was \$39,336

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment included the following at December 31, 2013:

Computer Software and Equipment	\$ 18,919
Less: Accumulated Depreciation and Amortization	<u>(18,544)</u>
Property and Equipment, Net	<u>\$ 375</u>

**THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**NOTE 6. LONG-TERM INVESTMENTS**

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

Corporate and Government Bonds	\$ 2,626,817	\$ 3,933,831
Exchange Traded & Closed End Funds	2,064,607	172,558
Mutual Funds and Stocks	10,087,915	8,784,610
Interest in Partnership	1,369,830	1,152,427
Trusts and Publicly Traded Partnerships	<u>96,796</u>	<u>95,416</u>
	<u>\$ 16,245,965</u>	<u>\$ 14,138,842</u>

**NOTE 7. COMMITMENTS**

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

2014	\$ 33,125
2015	34,118
2016	35,142
2017	36,196
2018	<u>24,609</u>
	<u>\$ 163,190</u>

**NOTE 8. CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash balances at several financial institutions and brokerage houses. At times, such balances may be in excess of the Federal Insured Limit.