

***College of Southern Maryland
Foundation, Inc.***

Annual Financial Report

For the Years Ended June 30, 2011 and 2010

~

**College of Southern Maryland
Foundation, Inc.**

Annual Financial Report

For the Years Ended June 30, 2011 and 2010

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
TABLE OF CONTENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 12
REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION	13
SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011	
Schedule of Changes in Net Assets	14 - 17
Schedule of Investments	18

REPORT OF INDEPENDENT AUDITORS

Board of Directors
College of Southern Maryland Foundation, Inc.
La Plata, MD 20646-0910

We have audited the accompanying statements of financial position of College of Southern Maryland Foundation, Inc. as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of Southern Maryland Foundation, Inc. as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



A Professional Corporation
Bethesda, MD
November 10, 2011

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,196,140	\$ 1,634,980
Investments	4,660,537	3,308,504
Pledges receivable	<u>465,652</u>	<u>816,225</u>
TOTAL ASSETS	<u>\$ 6,322,329</u>	<u>\$ 5,759,709</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 65,956</u>	<u>\$ 52,895</u>
NET ASSETS		
Unrestricted	1,477,569	1,407,334
Temporarily restricted	1,854,587	1,401,236
Permanently restricted	<u>2,924,217</u>	<u>2,898,244</u>
TOTAL NET ASSETS	<u>6,256,373</u>	<u>5,706,814</u>
	<u>\$ 6,322,329</u>	<u>\$ 5,759,709</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions	\$ 109,694	\$ 206,040	\$ 33,034	\$ 348,768	\$ 71,918	\$ 311,244	\$ 32,630	\$ 415,792
Investment income	148,466	511,239	-	659,705	54,656	300,492	-	355,148
Donated services and facilities	137,190	-	-	137,190	143,889	-	-	143,889
In-kind contributions	85,198	-	-	85,198	78,317	-	-	78,317
Adjustment for uncollectible pledges	-	(35,908)	(7,061)	(42,969)	-	-	(4,097)	(4,097)
Net assets released from restrictions - satisfaction of program restrictions	228,020	(228,020)	-	-	494,015	(494,015)	-	-
	<u>708,568</u>	<u>453,351</u>	<u>25,973</u>	<u>1,187,892</u>	<u>842,795</u>	<u>117,721</u>	<u>28,533</u>	<u>989,049</u>
EXPENSES								
Scholarships	188,045	-	-	188,045	101,079	-	-	101,079
Technology donation	-	-	-	-	267	-	-	267
CSM Children's Center donation	29,050	-	-	29,050	5,400	-	-	5,400
Ward Virts Piano Project donation	6,000	-	-	6,000	-	-	-	-
Trades and Technology donation	14,000	-	-	14,000	328,168	-	-	328,168
Nursing and Healthcare donations	35,800	-	-	35,800	20,500	-	-	20,500
ISTEM donation	28,850	-	-	28,850	114,706	-	-	114,706
Educational Excellence	10,000	-	-	10,000	-	-	-	-
Other donations	85,212	-	-	85,212	31,161	-	-	31,161
Awards for banquet	9,662	-	-	9,662	7,576	-	-	7,576
Investment management fees	16,079	-	-	16,079	3,710	-	-	3,710
Meetings	10,092	-	-	10,092	8,825	-	-	8,825
Licenses and fees	1,086	-	-	1,086	1,158	-	-	1,158
Printing	14,799	-	-	14,799	9,113	-	-	9,113
Legal and accounting	15,592	-	-	15,592	13,500	-	-	13,500
Administrative expenses	4,890	-	-	4,890	3,230	-	-	3,230
Other special events	35,023	-	-	35,023	37,909	-	-	37,909
Bad debt expense (recovery)	(3,037)	-	-	(3,037)	(3,867)	-	-	(3,867)
Donated services and facilities	137,190	-	-	137,190	143,889	-	-	143,889
	<u>638,333</u>	<u>-</u>	<u>-</u>	<u>638,333</u>	<u>826,324</u>	<u>-</u>	<u>-</u>	<u>826,324</u>
INCREASE IN NET ASSETS								
	70,235	453,351	25,973	549,559	16,471	117,721	28,533	162,725
NET ASSETS AT BEGINNING OF YEAR	<u>1,407,334</u>	<u>1,401,236</u>	<u>2,898,244</u>	<u>5,706,814</u>	<u>1,390,863</u>	<u>1,283,515</u>	<u>2,869,711</u>	<u>5,544,089</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,477,569</u>	<u>\$ 1,854,587</u>	<u>\$ 2,924,217</u>	<u>\$ 6,256,373</u>	<u>\$ 1,407,334</u>	<u>\$ 1,401,236</u>	<u>\$ 2,898,244</u>	<u>\$ 5,706,814</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 549,559	\$ 162,725
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in fair value of investments	(486,486)	(772,098)
Realized (gain) loss on sale of investments	(10,515)	527,385
Bad debt expense	41,742	230
Pledges receivable discount to present value	(24,955)	(21,541)
Permanently restricted contributions	(25,973)	(32,630)
(Increase) decrease in		
Pledges receivable	333,786	308,924
Split-interest receivable	-	377,706
Increase (decrease) in		
Accounts payable and accrued expenses	13,061	21,174
	<u>390,219</u>	<u>571,875</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,583,128)	(5,940,394)
Proceeds from sale of investments	120,890	6,500,901
Redemption of certificates of deposit	607,206	-
	<u>(855,032)</u>	<u>560,507</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	25,973	32,630
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(438,840)	1,165,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,634,980	469,968
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,196,140</u>	<u>\$ 1,634,980</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1: ORGANIZATION

College of Southern Maryland Foundation, Inc. (the Foundation) operates exclusively for charitable and educational purposes, including but not limited to receiving contributions, investing and reinvesting any gifts or other donations, and awarding scholarships and grants for the benefit of the College of Southern Maryland (the College), its students or faculty.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the statement of financial position and revenue and support and expenses during the reporting period. Actual results could differ from these estimates.

Pledges Receivable

Unconditional pledges to give represent promises from donors to contribute monies for the Foundation's programs and activities. Such pledges are recognized as support when the pledge is made. Unconditional pledges to give where payment is due in the next year are recognized at their net realizable amounts. Unconditional pledges to give where payment is due in subsequent years are recognized at the present value of their net realizable amounts, using a discount rate.

Allowance for Uncollectible Pledges

A provision for uncollectible pledges has been established by management for the years ended June 30, 2011 and 2010. Any pledges deemed to be uncollectible are written off at the time of such determination.

Investments

Investments are stated at fair value. Both realized and unrealized gains and losses in fair value are reflected in the statements of activities.

Contributions

Contributions are recognized as received, except in the case of pledged contributions, which are recognized in the year of the donor's pledge, subject to a discount factor.

Contributions that are expendable, but restricted as to their use or the timing of their use, are initially recorded as temporarily restricted support. When a donor's restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In-kind Contributions

Non-cash contributions are recorded at their fair value on the date of receipt. Certain non-cash items received are donated to the College for educational support.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered cash equivalents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets

Net assets, which result from contributions or other inflows of assets from donors, are reported as unrestricted or restricted based on the stipulations of the donor. Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted by donor stipulations on their use. Temporarily restricted net assets are the portion of net assets whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the Foundation pursuant to those stipulations. Permanently restricted net assets are the portion of net assets whose use is limited by donor-imposed stipulations that cannot be removed by the passage of time or action of the Foundation.

Scholarships

Scholarships are expensed when approved by the Board of Directors.

Advertising Costs

Costs of advertising are expensed as incurred and no advertising costs are capitalized. The Foundation expensed approximately \$7,800 and \$4,000, respectively, for the years ended June 30, 2011 and 2010 in advertising and it is included in in-kind contributions in the statement of activities.

Subsequent Events

In preparing these financial statements, management of the Foundation has evaluated events and transactions that occurred after June 30, 2011 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through November 10, 2011, the date that the financial statements were available to be issued.

NOTE 3: INCOME TAXES

The Foundation is exempt from income taxes except for taxes on unrelated business income under Section 501(c)(3) of the Internal Revenue Code and related state statutes. The Foundation did not have any unrelated business income for the years ended June 30, 2011 and 2010.

Accounting principles generally accepted in the United States of America require management of an organization to evaluate tax positions taken by the organization and recognize an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the tax positions taken by the Foundation and concluded that as of June 30, 2011 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NOTE 4: FUNCTIONAL EXPENSES

Expenses of the Foundation by function are:

	2011	2010
Program expenses	\$ 488,933	\$ 695,196
Management and general	72,140	55,335
Fundraising and direct expenses	77,260	75,793
	\$ 638,333	\$ 826,324

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS

At June 30, 2011 and 2010, the Foundation's investments were in certificates of deposit and mutual funds summarized as follows:

	<u>2011</u>	<u>2010</u>
Certificates of deposit	\$ -	\$ 607,206
Bond funds	1,982,137	1,198,557
Equity funds	<u>2,678,400</u>	<u>1,502,741</u>
	<u>\$ 4,660,537</u>	<u>\$ 3,308,504</u>

Investment income from these investments for the years ended June 30, 2011 and 2010 was as follows:

Interest and dividends	\$ 162,704	\$ 110,435
Realized loss on sale of investments	<u>10,515</u>	<u>(527,385)</u>
	173,219	(416,950)
Change in fair value of investments	<u>486,486</u>	<u>772,098</u>
	<u>\$ 659,705</u>	<u>\$ 355,148</u>

NOTE 6: FAIR VALUE

Accounting principles generally accepted in the United States of America define fair value as 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, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

Level 1

Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market or actively traded over-the-counter markets.

Level 2

Valuation based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

Level 3

Valuation based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE - continued

For the year ended June 30, 2011, there were no transfers in or out of levels 1, 2 or 3.

The Foundation's investments in mutual funds are valued using quoted prices in active markets for identical assets at the measurement date. The certificates of deposit held by the Foundation are not actively traded, therefore the value is based on observable inputs, such as the pricing structure established and published by the issuer. The valuation methodology did not change during the year ended June 30, 2011.

As of June 30, 2011 and 2010, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2011			Total Fair Value
	Level 1	Level 2	Level 3	
Equity funds	\$ 2,678,400	\$ -	\$ -	\$ 2,678,400
Bond funds	1,982,137	-	-	1,982,137
Cash and cash equivalents	1,196,140	-	-	1,196,140
	<u>\$ 5,856,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,856,677</u>

	2010			Total Fair Value
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ -	\$ 607,206	\$ -	\$ 607,206
Equity funds	1,502,741	-	-	1,502,741
Bond funds	1,198,557	-	-	1,198,557
Cash and cash equivalents	1,634,980	-	-	1,634,980
	<u>\$ 4,336,278</u>	<u>\$ 607,206</u>	<u>\$ -</u>	<u>\$ 4,943,484</u>

NOTE 7: PLEDGES RECEIVABLE

Pledges receivable is composed of pledges for the following purposes:

	2011	2010
Technology at the La Plata campus	\$ -	\$ 471
Children's Learning Center	20,000	30,000
P.E. Wellness Center	-	9,098
Scholarships	121,636	318,019
Ward Virts Piano Project	12,000	-
ISTEM	74,000	102,042
Trades & Technologies	84,790	137,993
Nursing & Healthcare	83,250	119,084
Educational Excellence	22,500	31,779
Kids College	10,000	30,000
Unrestricted	72,300	94,925
State Matching Funds (PDIP) restricted to endowments	-	5,655
	<u>500,476</u>	<u>879,066</u>
Discount to net present value	(34,551)	(59,506)
Allowance for uncollectible pledges	(273)	(3,335)
	<u>\$ 465,652</u>	<u>\$ 816,225</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7: PLEDGES RECEIVABLE - continued

The Foundation expects to collect pledges receivable at June 30, 2011 in the following periods:

2012	\$	253,276
2013		151,200
2014		77,350
2015		7,950
2016		2,700
Thereafter		<u>8,000</u>
		500,476
Discount to net present value		(34,551)
Allowance for uncollectible pledges		<u>(273)</u>
	\$	<u><u>465,652</u></u>

Discount to net present value was computed at June 30, 2011 and 2010 using a rate of 5%.

NOTE 8: RELATED PARTIES

The College donated to the Foundation consulting services, personnel services, facilities and support for fundraising and donor cultivation activities, including travel, printing, office and advertising costs valued at \$137,190 and \$143,889 in 2011 and 2010, respectively. These donations are reflected in the financial statements as both support and expense.

The Foundation paid the College \$406,619 and \$534,883 in 2011 and 2010, respectively, for scholarships and other contributions. The Foundation received in-kind contributions on behalf of the College of equipment, supplies, and the resurfacing of the athletic field totaling \$75,121 and \$73,974 for the years ended June 30, 2011 and 2010, respectively. These contributions are reflected as contributions to the College. Total in-kind contributions received for the years ended June 30, 2011 and 2010 totaled \$85,198 and \$78,317, respectively.

NOTE 9: DONATED SERVICES AND FACILITIES

During the years ended June 30, 2011 and 2010, the value of donated goods and services recognized in the accompanying statements of activities as both support and expense was \$137,190 and \$143,889, respectively, and included the following:

	<u>2011</u>		<u>2010</u>
Salaries and benefits	\$ 116,566	\$	121,765
Conferences, meetings, and travel	13,117		13,097
Professional services and public relations	4,000		6,439
Printing	1,848		1,526
Office supplies	<u>1,659</u>		<u>1,062</u>
	<u>\$ 137,190</u>	\$	<u><u>143,889</u></u>

NOTE 10: ENDOWMENTS

The Foundation's endowments consist of 41 individual funds (the Funds) established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: ENDOWMENTS - continued

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund
- (b) The purposes of the Foundation and the donor-restricted endowment fund
- (c) General economic conditions
- (d) The possible effect of inflation and deflation
- (e) The expected total return from income and the appreciation of investments
- (f) Other resources of the Foundation
- (g) The investment policies of the Foundation

The Foundation had the following changes in the endowment net assets during the years ended June 30, 2011 and 2010:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ (78,378)	\$ 18,635	\$ 2,898,244	\$ 2,838,501
Contributions	-	20,000	33,034	53,034
Appropriation of endowment assets for expenditure	-	(18,014)	-	(18,014)
Endowment net assets after contributions and expenditures	(78,378)	20,621	2,931,278	2,873,521
Investment return				
Investment income	-	267,903	-	267,903
Endowment net assets after reclassification	(78,378)	288,524	2,931,278	3,141,424
Other changes				
Transfer of investment income	78,378	(78,378)	-	-
Adjustment for uncollectible pledge	-	-	(7,061)	-
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 210,146</u>	<u>\$ 2,924,217</u>	<u>\$ 3,141,424</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: ENDOWMENTS - continued

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ (248,144)	\$ 23,055	\$ 2,869,711	\$ 2,644,622
Contributions	-	20,000	32,630	52,630
Appropriation of endowment assets for expenditure	-	(24,420)	-	(24,420)
Endowment net assets after contributions and expenditures	(248,144)	18,635	2,902,341	2,672,832
Investment return				
Investment income	-	169,766	-	169,766
Endowment net assets after reclassification	(248,144)	188,401	2,902,341	2,842,598
Other changes				
Transfer of investment income	169,766	(169,766)	-	-
Adjustment for uncollectible pledge	-	-	(4,097)	(4,097)
Endowment net assets at end of year	<u>\$ (78,378)</u>	<u>\$ 18,635</u>	<u>\$ 2,898,244</u>	<u>\$ 2,838,501</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$78,378 as of June 30, 2011 and 2010, respectively. The deficiency reported as of June 30, 2010 resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation implemented investment and spending policies for endowment assets that attempted to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consisted of those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets were invested in a manner that was intended to produce results that exceed the return of a target policy comprised of 65% S&P 500 index funds and 35% Barclay Aggregate Bond index funds, while assuming a moderate level of investment risk. The Foundation expected its endowment funds, over time, to provide an average rate of return of approximately 3% over the inflation rate annually. Actual returns in any given year may have varied from this amount.

In April 2010, the Board of Directors updated the investment policy of the Foundation. The updated investment policy specifies that endowment assets are invested in a manner that is intended to produce results that exceed the return of a target policy comprised of 32% S&P 500 index funds, 8% Russell 2000 funds, 10% MSCI EAFE funds, 35% Barclay Aggregate index fund, 10% Treasury bills, and 5% 90-day Treasury bills, while assuming a moderate level of investment risk. Under the updated investment policy, the Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 4.5% above the trailing 3-year CPI. Actual returns in any given year may vary from this amount.

NOTE 10: ENDOWMENTS - continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of annually appropriating for distribution a target of 5% of the previous twelve quarters' average market value of its endowment funds, not to exceed 7% of the current average market value of the endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current investment policy to allow its endowments to earn an average of 7.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 11: RECLASSIFICATION

Certain prior year amounts have been reclassified to conform with the current year presentation, including \$42,750 of scholarship expense, has been reclassified as an increase in total contributions revenue and an increase in total scholarship expenses. This amount represents expense incurred by the Foundation and was netted against contributions received for scholarships in the June 30, 2010 audited financial statements.

During the year ended June 30, 2011, the Foundation recorded in-kind contributions totaling \$85,198. For comparative purposes, the June 30, 2010 statement of activities has been adjusted to reflect in-kind contributions totaling \$78,317. Expenses have also been adjusted to reflect the in-kind contributions, therefore, there is no effect on beginning of year net assets.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

Board of Directors
College of Southern Maryland Foundation, Inc.
La Plata, MD 20646-0910

Our audits of the financial statements of College of Southern Maryland Foundation, Inc. for the years ended June 30, 2011 and 2010 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules (Schedule of Changes in Net Assets and Schedule of Investments) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



A Professional Corporation
Bethesda, MD
November 10, 2011

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Market Value at June 30, 2010	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Adjustment for Uncollectible Pledges	Market Value at June 30, 2011
UNRESTRICTED NET ASSETS							
Undesignated							
Undesignated gifts and bequests	\$ 1,317,245	\$ 144,975	\$ 65,929	\$ (73,400)	\$ (89,493)	\$ -	\$ 1,365,256
Golf & Tennis Classic	52,698	2,024	33,765	-	(11,113)	-	77,374
Technology Acct - State Matching Funds	4,282	714	-	-	-	-	4,996
Theatixct @ St. Mary's	54	9	-	-	-	-	63
Jaycees Educational Assistance Program	4,148	92	10,000	(13,900)	(19)	-	321
Library Memorial	3,907	652	-	-	-	-	4,559
Total undesignated	1,382,334	148,466	109,694	(87,300)	(100,625)	-	1,452,569
Board designated							
R. Fisher Endowment Fund	25,000	-	-	-	-	-	25,000
	1,407,334	148,466	109,694	(87,300)	(100,625)	-	1,477,569
TEMPORARILY RESTRICTED NET ASSETS							
Alumni Scholarship	1,227	188	-	-	-	-	1,415
Christopher Chinault Scholarship	(2,546)	7,912	-	-	-	-	5,366
Tony Hungerford Memorial Endowment Fund	(4,420)	8,737	-	-	-	-	4,317
J Ivey Cline Memorial Scholarship	(784)	2,322	-	-	-	-	1,538
Harland R. & Lulu P. Cravat Memorial Scholarship	38,827	6,474	-	-	-	-	45,301
We Salute Our Troops - Desert Storm Scholarship	(413)	440	-	-	-	-	27
Matthew W. Hancock Memorial Scholarship	316	53	-	-	-	-	369
James C. Mitchell Nursing Scholarship	20,484	6,737	-	(950)	-	-	26,271
Civista Medical Center	(628)	1,563	-	-	-	-	935
Fanny Louise Sullivan Sine Henderson Scholarship	1,941	115	1,000	-	-	39	3,049
Mary Croft Ward Scholarship	(40)	469	-	-	-	-	429
Bill Wood Memorial Scholarship	18,024	2,969	85	(944)	-	13	20,147
Helen and Henry Lawlor Scholarship	6,712	4,870	-	-	-	-	11,582
Joanne Zwick Memorial Scholarship	(1,214)	1,465	-	-	-	-	251
McDonough Charly School	(13,399)	36,864	-	-	-	-	23,465
Castles and Foundations Fund	(4,066)	7,724	-	-	-	-	3,658
Walter Grove II Endowment Fund	(4,902)	10,890	-	(135)	-	-	5,853
L.K. Farrall II Endowment Fund	(2,451)	7,503	-	-	-	-	5,052
Wm. B. and Vivian M. King Endowment Fund	(71,454)	180,712	-	-	-	-	109,258
Russell G. Croft	(6,123)	17,457	-	-	-	-	11,334
Ed Matthews, Jr. Endowment Fund	(1,438)	3,240	-	-	-	-	1,802
William Lyon Endowment Fund	(1,523)	2,970	-	-	-	-	1,447
Albert L. Eder, Jr. Memorial	(2,454)	2,259	-	(1,687)	-	-	(1,882)
McWilliams Family Trust	(2,110)	3,715	-	-	-	-	1,605
Dr. Naljan Ramakrishna Scholarship	(1,565)	2,924	-	-	-	-	1,359

See Notes to Financial Statements

SCHEDULE OF CHANGES IN NET ASSETS

	Market Value at	Investment	Contributions	Scholarship	Other Additions	Adjustment for	Market Value at
	June 30, 2010						Income
Calvert Chamber Fund	\$ (1,719)	\$ 3,263	\$ -	\$ -	\$ -	\$ -	\$ 1,544
Thomas F. Goldsmith Fund	(4,810)	9,202	-	-	-	-	4,392
Marguerite Cox Family Memorial	(1,381)	4,478	-	-	-	-	3,097
Robert Ware Strauss SMSC	20,438	3,408	-	-	-	-	23,846
Nursing Equipment Fund	91	16	-	-	-	-	107
P.E. Wellness Center	9,033	-	2,415	-	25	(9,000)	2,473
Technology @ Prince Frederick	1,149	-	408	-	-	-	1,557
Technology @ Leonardtown	6,510	-	1,424	-	-	-	7,934
Technology @ La Plata	787	-	177	-	118	-	1,082
CSM Children's Center	410,088	35,333	1,606	-	(29,050)	-	417,977
Southern Maryland Studies Center Fund	17,866	2,947	233	-	(59)	-	20,987
Marrick Properties	(5,811)	16,307	-	-	-	-	10,496
Gary Merrill	(4)	333	-	-	-	-	329
Leonardtown SA Kickoff Scholarship	627	105	-	-	-	-	732
J. Rice & M. Fauth Memorial	(3,024)	8,617	-	-	-	-	5,593
Ward Virts Piano Project	6,177	38	18,341	-	(6,000)	-	18,556
ADF Birgo - Kids College	27,943	-	7,233	(15,000)	-	-	20,176
Calvert County 350th Anniversary Endowment	(684)	2,054	-	-	-	-	1,370
Shani J. Whipple Scholarship	4,250	1,382	-	-	29	-	5,545
J. Shultz-Collins Scholarship	22	4	-	-	-	(116)	26
Jack L. Sprague Scholarship	500	-	100	(459)	-	-	141
Calvert County Chamber Scholarship	3,000	-	3,000	(668)	-	-	5,332
St. Mary's Country Scholarship Endowment Fund	8,027	8,465	20,000	(18,000)	-	-	18,492
Veterans Education Endowment Fund	29,532	10,535	-	-	-	-	40,067
Mercantile Southern Maryland Bank	62,443	10,399	-	-	-	-	72,842
St. Mary's Health Department Scholarship	51	8	-	-	-	-	59
Robert W. Sibole Scholarship	45	8	-	-	-	-	53
William D. Bauer Memorial Endowment	2,854	2,143	-	-	-	-	4,997
R. Fisher Endowment Fund	2,289	4,550	-	-	-	-	6,839
General Scholarship Fund	9,794	-	6,157	-	3	(25)	15,929
CLC Scholarship Fund	272	-	136	-	-	-	408
Leonardtown SGA Endowment Fund	108	2,352	-	-	-	-	2,460
Elaine Ryan Legacy Fund	37,524	6,174	51	-	25	-	43,774
Wywill Teacher Ed Endowment Scholarship	(3,024)	2,000	-	-	-	-	(1,024)
C&M McAllister Endowment Fund	(1,222)	3,897	-	-	-	-	2,675
Beers Scholarship Fund	(6,494)	23,091	-	-	121	-	16,718
Louis P. Jenkins, Sr Endowment Fund	(6,896)	9,021	-	-	-	-	2,125
Nu Zeta Omega Scholarship	30	-	1,216	-	-	-	1,246
Milton Somers Scholarship	1,500	-	1,500	-	-	-	3,000
Celebration of the Arts	24,138	3,490	7,282	(1,000)	(1,767)	-	32,143

SCHEDULE OF CHANGES IN NET ASSETS

	Market Value at June 30, 2010	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Adjustment for Uncollectible Pledges	Market Value at June 30, 2011
Helen J Todd Scholarship	\$ 10,000	\$ -	\$ 10,000	\$ (2,750)	\$ -	\$ -	\$ 17,250
Neale C Slater Memorial Scholarship	(4,053)	4,556	-	(911)	-	-	(408)
Prince Frederick Student Association Scholarship	15,000	1,413	-	-	-	-	16,413
Tri County 40/8 Nurse Scholarship	1,238	-	375	-	6	-	1,619
Renee Mundy Math Endowment	(1,409)	1,563	-	-	-	-	154
Charles County Technology Scholarship	-	-	750	(750)	-	-	-
Boone & Edelen Scholarship	150	-	225	-	-	-	375
ISTEM	185,919	1,822	35,348	(750)	(33,574)	(1,000)	187,765
Trades & Technologies	197,538	-	13,672	(10,000)	(13,739)	(364)	187,107
Nursing & Healthcare	192,302	-	8,459	(15,000)	(35,449)	-	150,312
Educational Excellence Fund	73,048	-	644	-	(9,832)	(5,357)	58,503
Endowed Scholarship Fund	383	6,037	-	-	-	-	6,420
Chandler Keys	51	8	-	-	-	-	59
Bradley Gottfried Endowment	(97)	650	-	-	-	-	553
Kavetsky Family Endowment	(744)	998	-	-	-	-	254
JF Raley, Jr. STEM Scholarship	23,615	-	1,384	-	-	(20,000)	4,999
BN Guerrieri Memorial Scholarship	650	-	650	(650)	-	-	650
ISSSWDC	-	-	2,500	-	-	-	2,500
Schweir & LaFleur Scholarship	1,603	-	3,056	(2,250)	-	-	2,409
Gary D Smith Memorial Scholarship	3,600	-	40	(650)	-	-	2,990
Sidney Vaughn Memorial Scholarship	2,364	-	1,820	(1,000)	-	-	3,184
J Morton Memorial Scholarship	725	-	1,040	-	-	-	1,765
W Martinez Jr Memorial Scholarship	1,544	-	32	(1,500)	-	-	76
SMWL Scholarship Fund	3,000	-	3,000	(1,500)	-	-	4,500
Jane H Sypher Scholarship	2,165	-	2,308	(500)	-	-	3,973
Charles County Women's Club	492	-	250	(500)	-	-	242
Zeinck-Hess Memorial Scholarship	4,321	-	858	(2,000)	-	-	3,179
NET Annual Scholarship Fund	69,811	-	44,765	(19,375)	-	-	95,201
Home Towne RE Scholarship	-	-	2,500	-	-	-	2,500
PERMANENTLY RESTRICTED NET ASSETS	1,401,236	511,239	206,040	(98,929)	(129,091)	(35,908)	1,854,587
Christopher Chinault Scholarship	50,000	-	-	-	-	-	50,000
James C. Mitchell Nursing Scholarship	20,000	-	-	-	-	-	20,000
Civista Medical Center	10,000	-	-	-	-	-	10,000
J. Ivey Cline Scholarship	14,708	-	-	-	-	-	14,708
Mary Croft Ward Scholarship	3,082	-	-	-	-	(19)	3,063
Joanne Zwick Memorial Scholarship	10,000	-	-	-	-	-	10,000
Helen and Henry Lawlor Scholarship	22,500	-	-	-	-	-	22,500
We Salute Our Troops - Desert Storm Scholarship	3,082	-	-	-	-	(19)	3,063
Tony Hungerford Memorial Endowment Fund	57,202	-	740	-	-	3	57,945
W/m. B. and Vivian M. King Endowment Fund	1,156,153	-	-	-	-	(3)	1,156,150

See Notes to Financial Statements

SCHEDULE OF CHANGES IN NET ASSETS

	Market Value at June 30, 2010	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Adjustment for Uncollectible Pledges	Market Value at June 30, 2011
McDonough Charity School	\$ 234,609	\$ -	\$ -	\$ -	\$ -	\$ (62)	\$ 234,547
Castles and Foundations Fund	50,393	-	-	-	-	-	50,393
Walter Grove II Endowment Fund	71,628	-	1,242	-	-	24	72,894
L.K. Farrell II Endowment Fund	47,448	-	-	-	-	-	47,448
Russell G. Croft	110,852	-	200	-	-	-	111,052
Ed Matthews, Jr. Endowment Fund	20,908	-	-	-	-	-	20,908
William Lyon Endowment Fund	19,336	-	-	-	-	-	19,336
Albert L. Edler, Jr. Memorial	16,000	-	5,000	-	-	-	21,000
McWilliams Family Trust	31,624	-	350	-	-	-	31,974
Calvert Chamber Fund	21,723	-	74	-	-	-	21,797
Dr. Nallan Ramakrishna Scholarship	19,100	-	-	-	-	-	19,100
Thomas F. Goldsmith Fund	60,000	-	-	-	-	-	60,000
Marguerite Cox Family Memorial	33,341	-	1,928	-	-	-	35,269
Marrick Properties	103,790	-	80	-	-	-	103,870
Gary Merrill	2,000	-	-	-	-	-	2,000
J. Rice & M. Fauth Memorial	54,708	-	-	-	-	-	54,708
Calvert County 350th Anniversary Endowment	13,000	-	-	-	-	-	13,000
St. Mary's County Scholarship Endowment Fund	45,100	-	5,000	-	-	-	50,100
Veterans Education Endowment Fund	33,781	-	-	-	-	28	33,809
William D. Bauer Memorial Endowment	10,000	-	-	-	-	-	10,000
Leonardtoun SGA Endowment Fund	14,000	-	-	-	-	-	14,000
Wyvill Teacher Ed Endowment Scholarship	15,622	-	534	-	-	119	16,275
C&M McAllister Endowment Fund	21,900	-	4,115	-	-	-	26,015
Beers Scholarship Fund	243,041	-	3,770	-	-	-	246,811
Louis P. Jenkins, Sr. Endowment Fund	61,000	-	-	-	-	-	61,000
Neale C Slater Memorial Scholarship	32,590	-	7,140	-	-	36	39,766
Renee Mundy Math Endowment	10,964	-	-	-	-	(15)	10,949
Endowed Scholarship Fund	130,686	-	2,684	-	-	(7,153)	126,217
Bradley Gottfried Endowment	9,921	-	177	-	-	-	10,098
Kavetsky Family Endowment	7,000	-	-	-	-	-	7,000
Shani J Whipple Scholarship	5,452	-	-	-	-	-	5,452
	2,898,244	-	33,034	-	-	(7,061)	2,924,217
TOTAL NET ASSETS	\$ 5,706,814	\$ 659,705	\$ 348,768	\$ (186,229)	\$ (229,716)	\$ (42,969)	\$ 6,256,373

Note: The market value amounts above include pledges receivable at year end.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF INVESTMENTS
JUNE 30, 2011

INVESTMENTS	Units	Cost Basis	Market Value	% Yield		Estimated Annual Income
				Cost	Market	
Bond funds						
JP Morgan High Yield Fund	34,543	\$ 276,401	\$ 283,249	7.93	7.74	\$ 83,416
Ridgeworth Total Return Vanguard Inflation Protected Securities	126,958	1,378,130	1,336,872	3.24	3.34	21,923
Eaton Vance Floating Rate Notes	4,776	121,120	125,853	3.62	3.48	4,380
Nuveen Preferred Securities	12,545	117,921	117,043	3.92	3.95	4,623
	7,053	<u>117,921</u>	<u>119,120</u>	6.65	6.58	<u>7,838</u>
		<u>2,011,493</u>	<u>1,982,137</u>			<u>122,180</u>
Equity funds						
MFS Value Fund	16,196	346,755	388,866	1.94	1.73	6,727
Schwab S&P 500 Index Fund	36,718	667,759	761,534	2.17	1.90	14,469
Harbor Capital Appreciation	9,976	332,521	397,276	0.25	0.21	834
Conestoga Small Cap American Beacon International	16,621	320,761	412,045	-	-	-
Artisan International Fund	10,362	160,471	189,213	2.51	2.13	4,030
Harding Loevner Emerging Markets	8,428	160,682	194,526	1.00	0.83	1,615
Cohen & Steers Realty Shares	1,897	84,581	96,589	0.49	0.43	415
PIMCO Commodity Real Return	1,946	107,197	125,046	2.29	1.96	2,451
	12,964	<u>101,714</u>	<u>113,305</u>	5.41	4.86	<u>5,507</u>
		<u>2,282,441</u>	<u>2,678,400</u>			<u>36,048</u>
TOTAL INVESTMENTS		<u><u>\$ 4,293,934</u></u>	<u><u>\$ 4,660,537</u></u>			<u><u>\$ 158,228</u></u>