

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

Annual Financial Report

For the Years Ended June 30, 2010 and 2009

**COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
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FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

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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, 2010 and 2009 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, 2010 and 2009 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
October 15, 2010

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,634,980	\$ 469,968
Investments	3,308,504	3,624,298
Pledges receivable	816,225	1,103,838
Split-interest receivable	-	377,706
TOTAL ASSETS	<u>\$ 5,759,709</u>	<u>\$ 5,575,810</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 52,895</u>	<u>\$ 31,721</u>
NET ASSETS		
Unrestricted	1,407,334	1,390,863
Temporarily restricted	1,401,236	1,283,515
Permanently restricted	<u>2,898,244</u>	<u>2,869,711</u>
TOTAL NET ASSETS	<u>5,706,814</u>	<u>5,544,089</u>
	<u>\$ 5,759,709</u>	<u>\$ 5,575,810</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions	\$ 71,918	\$ 311,244	\$ 32,630	\$ 415,792	\$ 1,109,778	\$ 1,041,153	\$ 42,108	\$ 2,193,039
Investment income (loss)	54,656	300,492	-	355,148	(62,752)	(421,282)	-	(484,034)
Donated services and facilities	143,889	-	-	143,889	279,254	-	-	279,254
Adjustment for uncollectible pledges	-	-	(4,097)	(4,097)	-	-	(72,563)	(72,563)
Net assets released from restrictions - satisfaction of program restrictions	494,015	(494,015)	-	-	181,367	(181,367)	-	-
	<u>764,478</u>	<u>117,721</u>	<u>28,533</u>	<u>910,732</u>	<u>1,507,647</u>	<u>438,504</u>	<u>(30,455)</u>	<u>1,915,696</u>
EXPENSES								
Scholarships	101,079	-	-	101,079	143,234	-	-	143,234
Technology donation	267	-	-	267	11,684	-	-	11,684
CSM Children's Center donation	5,400	-	-	5,400	18,700	-	-	18,700
P.E. Wellness Center donation	-	-	-	-	511	-	-	511
Ward Virts Piano Project donation	-	-	-	-	10,400	-	-	10,400
Park Service donation	-	-	-	-	287	-	-	287
Trades and Technology donation	255,694	-	-	255,694	-	-	-	-
Nursing and Healthcare donations	19,000	-	-	19,000	-	-	-	-
ISTEM donation	114,706	-	-	114,706	39,980	-	-	39,980
Other donations	31,161	-	-	31,161	21,675	-	-	21,675
Awards for banquet	7,576	-	-	7,576	6,375	-	-	6,375
Investment management fees	3,710	-	-	3,710	2,423	-	-	2,423
Meetings	8,825	-	-	8,825	5,999	-	-	5,999
Licenses and fees	1,158	-	-	1,158	704	-	-	704
Printing	9,113	-	-	9,113	24,543	-	-	24,543
Legal and accounting	13,500	-	-	13,500	11,031	-	-	11,031
Administrative expenses	3,230	-	-	3,230	5,447	-	-	5,447
Other special events	33,566	-	-	33,566	18,033	-	-	18,033
Bad debt expense (recovery)	(3,867)	-	-	(3,867)	(7,046)	-	-	(7,046)
Donated services and facilities	143,889	-	-	143,889	279,254	-	-	279,254
	<u>748,007</u>	<u>-</u>	<u>-</u>	<u>748,007</u>	<u>593,234</u>	<u>-</u>	<u>-</u>	<u>593,234</u>
INCREASE (DECREASE) IN NET ASSETS	16,471	117,721	28,533	162,725	914,413	438,504	(30,455)	1,322,462
TRANSFER	-	-	-	-	-	(250,000)	250,000	-
NET ASSETS AT BEGINNING OF YEAR	<u>1,390,863</u>	<u>1,283,515</u>	<u>2,869,711</u>	<u>5,544,089</u>	<u>476,450</u>	<u>1,095,011</u>	<u>2,650,166</u>	<u>4,221,627</u>
NET ASSETS AT END 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>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 162,725	\$ 1,322,462
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in fair value of investments	(772,098)	484,139
Realized loss on sale of investments	527,385	218,439
Bad debt expense	230	65,517
Pledges receivable discount to present value	(21,541)	(49,008)
Permanently restricted contributions	(32,630)	(42,108)
(Increase) decrease in		
Pledges receivable	308,924	(68,496)
Split-interest receivable	377,706	(377,706)
Increase (decrease) in		
Accounts payable and accrued expenses	21,174	(105,762)
	<u>571,875</u>	<u>1,447,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,940,394)	(1,772,873)
Proceeds from sale of investments	6,500,901	500,143
	<u>560,507</u>	<u>(1,272,730)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	32,630	42,108
INCREASE IN CASH AND CASH EQUIVALENTS	1,165,012	216,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>469,968</u>	<u>253,113</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,634,980</u>	<u>\$ 469,968</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

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, 2010 and 2009. 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.

Non-cash 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.

NOTES TO FINANCIAL STATEMENTS

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.

Subsequent Events

In preparing these financial statements, management of the Foundation has evaluated events and transactions that occurred after June 30, 2010 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through October 15, 2010, 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, 2010 and 2009.

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, 2010 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:

	2010	2009
Program expenses	\$ 621,222	\$ 372,088
Management and general	55,335	58,306
Fundraising and direct expenses	71,450	162,840
	<u>\$ 748,007</u>	<u>\$ 593,234</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS

At June 30, 2010 and 2009, the Foundation's investments were in certificates of deposit and mutual funds summarized as follows:

	<u>2010</u>	<u>2009</u>
Certificates of deposit	\$ 607,206	\$ 1,127,427
Bond funds	1,198,557	940,984
Equity funds	<u>1,502,741</u>	<u>1,555,887</u>
	<u>\$ 3,308,504</u>	<u>\$ 3,624,298</u>

Investment income (loss) from these investments for the years ended June 30, 2010 and 2009 was as follows:

Interest and dividends	\$ 110,435	\$ 218,544
Realized loss on sale of investments	<u>(527,385)</u>	<u>(218,439)</u>
	(416,950)	105
Change in fair value of investments	<u>772,098</u>	<u>(484,139)</u>
	<u>\$ 355,148</u>	<u>\$ (484,034)</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE - continued

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, 2010.

As of June 30, 2010 and 2009, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2010			Total Fair Value
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ -	\$ 607,206	\$ -	\$ 607,206
Equity funds	1,572,698	-	-	1,572,698
Bond funds	1,128,600	-	-	1,128,600
Cash and cash equivalents	1,634,980	-	-	1,634,980
	\$ 4,336,278	\$ 607,206	\$ -	\$ 4,943,484

	2009			Total Fair Value
	Level 1	Level 2	Level 3	
Certificates of deposit	\$ -	\$ 1,127,427	\$ -	\$ 1,127,427
Equity funds	1,555,887	-	-	1,555,887
Bond funds	940,984	-	-	940,984
Cash and cash equivalents	469,968	-	-	469,968
	\$ 2,966,839	\$ 1,127,427	\$ -	\$ 4,094,266

NOTE 7: PLEDGES RECEIVABLE

Pledges receivable is composed of pledges for the following purposes:

	2010	2009
Technology at the Prince Frederick campus	\$ -	\$ 1,302
Technology at the Leonardtown campus	-	5,000
Technology at the La Plata campus	471	402
Children's Learning Center	30,000	35,270
P.E. Wellness Center	9,098	9,012
Scholarships	318,019	312,944
Ward Virts Piano Project	-	5,000
ISTEM	102,042	156,291
Trades & Technologies	137,993	278,668
Nursing & Healthcare	119,084	178,169
Educational Excellence	31,779	43,527
Kids College	30,000	40,000
Unrestricted	94,925	116,750
State Matching Funds (PDIP) restricted to endowments	5,655	5,655
	879,066	1,187,990
Discount to net present value	(59,506)	(81,047)
Allowance for uncollectible pledges	(3,335)	(3,105)
	\$ 816,225	\$ 1,103,838

NOTES TO FINANCIAL STATEMENTS

NOTE 7: PLEDGES RECEIVABLE - continued

The Foundation expects to collect pledges receivable at June 30, 2010 in the following periods:

2011	\$	293,524
2012		204,777
2013		195,026
2014		<u>185,739</u>
		879,066
Discount to net present value		(59,506)
Allowance for uncollectible pledges		<u>(3,335)</u>
	\$	<u>816,225</u>

Discount to net present value was computed at June 30, 2010 and 2009 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 \$143,889 and \$277,915 in 2010 and 2009, respectively. These donations are reflected in the financial statements as both support and expense.

The Foundation paid the College \$534,883 and \$252,846 in 2010 and 2009, respectively, for scholarships and other contributions.

NOTE 9: DONATED SERVICES AND FACILITIES

During the years ended June 30, 2010 and 2009, the value of donated goods and services recognized in the accompanying statements of activities as both support and expense was \$143,889 and \$279,254, respectively, and included the following:

	<u>2010</u>	<u>2009</u>
Salaries and benefits	\$ 121,765	\$ 157,930
Conferences, meetings, and travel	13,097	30,742
Professional services and public relations	6,439	67,565
Advertising	-	8,437
Printing	1,526	2,929
Office supplies	1,062	10,312
Goods and facilities donated for fundraising activities	<u>-</u>	<u>1,339</u>
	<u>\$ 143,889</u>	<u>\$ 279,254</u>

NOTE 10: ENDOWMENTS

The Foundation's endowments consist of 40 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, 2010 and 2009:

	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>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: ENDOWMENTS - continued

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ -	\$ 25,359	\$ 2,650,166	\$ 2,675,525
Contributions	-	22,000	42,108	64,108
Appropriation of endowment assets for expenditure	-	(24,304)	-	(24,304)
Endowment net assets after contributions and expenditures	-	23,055	2,692,274	2,715,329
Investment return				
Investment income (loss)	-	(248,144)	-	(248,144)
Net asset reclassification based on change in law	(248,144)	248,144	-	-
Endowment net assets after reclassification	(248,144)	23,055	2,692,274	2,467,185
Other changes				
Adjustment for uncollectible pledge	-	-	(72,563)	(72,563)
Donor requested endowment of previously unendowed gift	-	-	250,000	250,000
Endowment net assets at end of year	<u>\$ (248,144)</u>	<u>\$ 23,055</u>	<u>\$ 2,869,711</u>	<u>\$ 2,644,622</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 \$78,378 and \$248,144 as of June 30, 2010 and 2009, respectively. These deficiencies 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 has adopted investment and spending policies for endowment assets that attempt 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 consist 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 are invested in a manner that is 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 expects 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 vary from this amount.

NOTE 10: ENDOWMENTS - continued

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.

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 appropriating for distribution each year up to 5% of its endowment fund's average fair value, using the previous calendar year's beginning and ending market value of each endowed fund, not to exceed the income realized over the preceding calendar year. 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 spending policy to allow its endowments to grow at an average of 7% 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: RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended June 30, 2010, management determined that there was an error in previously issued audited financial statements related to contributions for the year ended June 30, 2009. As a result, temporarily restricted contribution revenue reflected on the statement of activities for the year ended June 30, 2009 has been increased by \$377,706, which caused total net assets as of June 30, 2009 to be increased by \$377,706. This adjustment also created the split-interest receivable balance of \$377,706 reflected in the statement of financial position. The Foundation was a named beneficiary of this split-interest agreement and received notice that they were to receive their portion of the assets held under the agreement upon the death of the agreement's creator in May 2009. Comparative information for the year ended June 30, 2009 has also been updated to conform with this change.

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, 2010 and 2009 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
October 15, 2010

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Market Value at June 30, 2009	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Market Value at June 30, 2010
UNRESTRICTED NET ASSETS						
Undesignated gifts and bequests	\$ 1,311,893	\$ 53,421	\$ 35,280	\$ (10,000)	\$ (73,349)	\$ 1,317,245
Golf & Tennis Classic	46,060	240	31,610	(10,000)	(15,212)	52,698
Technology Acct - State Matching Funds	3,803	479	-	-	-	4,282
Theatritext @ St. Mary's	48	6	-	-	-	54
Jaycees Educational Assistance Program	589	73	5,028	(1,536)	(6)	4,148
Library Memorial	3,470	437	-	-	-	3,907
R. Fisher Endowment Fund	25,000	-	-	-	-	25,000
	<u>1,390,863</u>	<u>54,656</u>	<u>71,918</u>	<u>(21,536)</u>	<u>(88,567)</u>	<u>1,407,334</u>
TEMPORARILY RESTRICTED NET ASSETS						
Alumni Scholarship	5,120	464	100	(4,457)	-	1,227
Christopher Chinault Scholarship	(7,854)	5,308	-	-	-	(2,546)
Tony Hungerford Memorial Endowment Fund	(10,052)	5,632	-	-	-	(4,420)
J. Ivey Cline Memorial Scholarship	(2,342)	1,558	-	-	-	(784)
Harland R. & Lulu P. Cravat Memorial Scholarship	34,441	4,386	-	-	-	38,827
We Salute Our Troops - Desert Storm Scholarship	(708)	295	-	-	-	(413)
Matthew W. Hancock Memorial Scholarship	281	35	-	-	-	316
James C. Mitchell Nursing Scholarship	25,197	5,287	-	(10,000)	-	20,484
Civista Medical Center	(1,676)	1,048	-	-	-	(628)
Fanny Louise Sullivan Sine Henderson Scholarship	4,598	387	1,077	(4,086)	(35)	1,941
Mary Croft Ward Scholarship	(354)	314	-	-	-	(40)
Bill Wood Memorial Scholarship	15,875	1,997	165	-	(13)	18,024
Helen and Henry Lawlor Scholarship	3,871	3,303	-	(462)	-	6,712
Joanne Zwick Memorial Scholarship	(2,197)	983	-	-	-	(1,214)
McDonough Charity School	(38,106)	24,707	-	-	-	(13,399)
Castles and Foundations Fund	(9,248)	5,182	-	-	-	(4,066)
Walter Grove II Endowment Fund	(11,261)	6,359	-	-	-	(4,902)
L.K. Farrall II Endowment Fund	(7,485)	5,034	-	-	-	(2,451)
Wm. B. and Vivian M. King Endowment Fund	(192,160)	120,706	-	-	-	(71,454)
Russell G. Croft	(17,816)	11,693	-	-	-	(6,123)
Ed Matthews, Jr. Endowment Fund	(3,591)	2,153	-	-	-	(1,438)
William Lyon Endowment Fund	(3,516)	1,993	-	-	-	(1,523)
Albert L. Edler, Jr. Memorial	(3,969)	1,515	-	-	-	(2,454)
McWilliams Family Trust	(4,562)	2,452	-	-	-	(2,110)
Dr. Nallan Ramakrishna Scholarship	(3,527)	1,962	-	-	-	(1,565)
Calvert Chamber Fund	(3,908)	2,189	-	-	-	(1,719)
Thomas F. Goldsmith Fund	(10,984)	6,174	-	-	-	(4,810)
Marguerite Cox Family Memorial	(3,957)	2,576	-	-	-	(1,381)
Robert Ware Strauss SMSC	18,152	2,286	-	-	-	20,438
Nursing Equipment Fund	436	40	-	-	(385)	91
P.E. Wellness Center	8,400	-	655	-	(22)	9,033
Technology @ Prince Frederick	975	-	50	-	124	1,149
Technology @ Leonardtown	4,758	-	1,752	-	-	6,510
Technology @ La Plata	397	-	472	-	(82)	787
CSM Children's Center	415,081	-	339	-	(5,332)	410,088
Southern Maryland Studies Center Fund	15,891	1,970	297	-	(292)	17,866
Marrick Properties	(16,752)	10,941	-	-	-	(5,811)
Gary Merrill	(227)	223	-	-	-	(4)
Leonardtown SA Kickoff Scholarship	2,852	258	-	(2,483)	-	627
J. Rice & M. Fauth Memorial	(8,806)	5,782	-	-	-	(3,024)
Ward Virts Piano Project	5,206	25	946	-	-	6,177
ADF Bingo - Kids College	37,250	-	5,693	(15,000)	-	27,943
Calvert County 350th Anniversary Endowment	(2,062)	1,378	-	-	-	(684)
Shani J. Whipple Scholarship	4,020	486	116	(343)	(29)	4,250
J. Shultz-Collins Scholarship	19	3	-	-	-	22
Jack L. Sprague Scholarship	-	-	500	-	-	500
Calvert County Chamber Scholarship	-	-	3,000	-	-	3,000
St. Mary's Country Scholarship Endowment Fund	1,557	4,877	20,000	(18,407)	-	8,027
Veterans Education Endowment Fund	28,060	7,485	-	(6,000)	(13)	29,532
Mercantile Southern Maryland Bank	60,219	2,241	-	-	(17)	62,443

SCHEDULE OF CHANGES IN NET ASSETS

	Market Value at June 30, 2009	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Market Value at June 30, 2010
St. Mary's Health Department Scholarship	\$ 45	\$ 6	\$ -	\$ -	\$ -	\$ 51
Robert W. Sibole Scholarship	40	5	-	-	-	45
William D. Bauer Memorial Endowment	1,416	1,438	-	-	-	2,854
R. Fisher Endowment Fund	(764)	3,053	-	-	-	2,289
General Scholarship Fund	76	-	9,721	-	(3)	9,794
CLC Scholarship Fund	84	-	180	-	8	272
Leonardtown SGA Endowment Fund	(1,470)	1,578	-	-	-	108
Elaine Ryan Legacy Fund	37,376	4,500	673	(5,000)	(25)	37,524
Wyvill Teacher Ed Endowment Scholarship	(4,174)	1,150	-	-	-	(3,024)
C&M McAllister Endowment Fund	(3,440)	2,218	-	-	-	(1,222)
Beers Scholarship Fund	(12,084)	4,981	-	-	609	(6,494)
Louis P. Jenkins, Sr Endowment Fund	(12,948)	6,052	-	-	-	(6,896)
Nu Zeta Omega Scholarship	-	-	30	-	-	30
Milton Somers Scholarship	-	-	1,500	-	-	1,500
Celebration of the Arts	21,958	2,801	2,900	-	(3,521)	24,138
Helen J Todd Scholarship	-	-	10,000	-	-	10,000
Neale C Slater Memorial Scholarship	(7,007)	2,954	-	-	-	(4,053)
Prince Frederick Student Association Scholarship	14,000	-	1,000	-	-	15,000
Tri County 40/8 Nurse Scholarship	10	-	1,234	-	(6)	1,238
Renee Mundy Math Endowment	(2,410)	1,001	-	-	-	(1,409)
Boone & Edelen Scholarship	-	-	150	-	-	150
ISTEM	201,169	3,185	112,558	-	(130,993)	185,919
Trades & Technologies	437,714	-	25,612	(10,000)	(255,788)	197,538
Nursing & Healthcare	194,892	-	16,227	-	(18,817)	192,302
Educational Excellence Fund	70,956	-	1,932	-	160	73,048
Endowed Scholarship Fund	(790)	1,173	-	-	-	383
Chandler Keys	45	6	-	-	-	51
Bradley Gottfried Endowment	(310)	213	-	-	-	(97)
Kavetsky Family Endowment	(1,243)	499	-	-	-	(744)
JF Raley, Jr. STEM Scholarship	23,338	-	277	-	-	23,615
BN Guerrieri Memorial Scholarship	-	-	650	-	-	650
Schweir & LaFleur Scholarship	1,500	-	1,603	(1,500)	-	1,603
Gary D Smith Memorial Scholarship	-	-	4,100	(500)	-	3,600
Sidney Waugh Memorial Scholarship	-	-	2,364	-	-	2,364
J Morton Memorial Scholarship	-	-	2,030	(1,305)	-	725
W Martinez Jr Memorial Scholarship	-	-	1,544	-	-	1,544
SMWL Scholarship Fund	-	-	3,000	-	-	3,000
Jane H Sypher Scholarship	-	-	2,165	-	-	2,165
Charles County Women's Club	-	(8)	500	-	-	492
Zeincik-Hess Memorial Scholarship	-	-	4,321	-	-	4,321
NET Annual Scholarship Fund	-	-	69,811	-	-	69,811
	<u>1,283,515</u>	<u>300,492</u>	<u>311,244</u>	<u>(79,543)</u>	<u>(414,472)</u>	<u>1,401,236</u>
PERMANENTLY RESTRICTED NET ASSETS						
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	3,060	-	28	-	(6)	3,082
Joanne Zwick Memorial Scholarship	10,000	-	-	-	-	10,000
Helen and Henry Lawlor Scholarship	22,500	-	-	-	-	22,500
We Salute Our Troops - Desert Storm Scholarship	3,060	-	28	-	(6)	3,082
Tony Hungerford Memorial Endowment Fund	55,817	-	1,398	-	(13)	57,202
Wm. B. and Vivian M. King Endowment Fund	1,156,153	-	-	-	-	1,156,153
McDonough Charity School	234,504	-	131	-	(26)	234,609
Castles and Foundations Fund	50,393	-	-	-	-	50,393
Walter Grove II Endowment Fund	68,696	-	2,953	-	(21)	71,628
L.K. Farrall II Endowment Fund	47,448	-	-	-	-	47,448
Russell G. Croft	110,652	-	200	-	-	110,852

SCHEDULE OF CHANGES IN NET ASSETS

	Market Value at June 30, 2009	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Market Value at June 30, 2010
Ed Matthews, Jr. Endowment Fund	\$ 20,902	\$ -	\$ 6	\$ -	\$ -	\$ 20,908
William Lyon Endowment Fund	19,336	-	-	-	-	19,336
Albert L. Edler, Jr. Memorial	16,000	-	-	-	-	16,000
McWilliams Family Trust	31,574	-	50	-	-	31,624
Calvert Chamber Fund	21,288	-	435	-	-	21,723
Dr. Nallan Ramakrishna Scholarship	19,100	-	-	-	-	19,100
Thomas F. Goldsmith Fund	60,000	-	-	-	-	60,000
Marguerite Cox Family Memorial	32,852	-	489	-	-	33,341
Marrick Properties	103,615	-	175	-	-	103,790
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	40,100	-	5,000	-	-	45,100
Veterans Education Endowment Fund	33,646	-	135	-	-	33,781
William D. Bauer Memorial Endowment	10,000	-	-	-	-	10,000
Leonardtown SGA Endowment Fund	14,000	-	-	-	-	14,000
Wyvill Teacher Ed Endowment Scholarship	14,576	-	787	-	259	15,622
C&M McAllister Endowment Fund	21,050	-	850	-	-	21,900
Beers Scholarship Fund	239,591	-	3,450	-	-	243,041
Louis P. Jenkins, Sr. Endowment Fund	61,000	-	-	-	-	61,000
Neale C Slater Memorial Scholarship	31,770	-	856	-	(36)	32,590
Renee Mundy Math Endowment	10,451	-	571	-	(58)	10,964
Endowed Scholarship Fund	123,034	-	8,829	-	(1,177)	130,686
Bradley Gottfried Endowment	9,447	-	474	-	-	9,921
Kavetsky Family Endowment	9,680	-	333	-	(3,013)	7,000
Shani J Whipple Scholarship	-	-	5,452	-	-	5,452
	<u>2,869,711</u>	<u>-</u>	<u>32,630</u>	<u>-</u>	<u>(4,097)</u>	<u>2,898,244</u>
TOTAL NET ASSETS	\$ 5,544,089	\$ 355,148	\$ 415,792	\$ (101,079)	\$ (507,136)	\$ 5,706,814

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

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF INVESTMENTS
JUNE 30, 2010

INVESTMENTS	<u>Units</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>% Yield</u>		<u>Estimated Annual Income</u>
				<u>Cost</u>	<u>Market</u>	
Bond funds						
JP Morgan High Yield Fund	22,330	\$ 176,561	\$ 171,943	7.96	8.17	\$ 14,048
Ridgeworth Total Return	77,798	844,131	855,773	2.95	2.91	24,903
Vanguard Inflation Protected Securities	3,959	100,460	100,884	2.67	2.66	2,684
Calamos Convertible Fund	3,867	<u>73,418</u>	<u>69,957</u>	3.71	3.89	<u>2,721</u>
		<u>1,194,570</u>	<u>1,198,557</u>			<u>44,356</u>
Equity funds						
MFS Value Fund	11,089	233,080	213,021	1.60	1.75	3,728
Schwab S&P 500 Index Fund	26,082	464,000	422,269	1.28	1.41	5,954
Harbor Capital Appreciation	7,141	232,000	210,383	0.25	0.28	589
Conestoga Small Cap American Beacon International	12,354	232,000	213,964	-	-	-
Artisan International Fund	7,808	116,000	110,172	-	-	-
Harding Loevner Emerging Markets	6,367	116,000	112,371	1.24	1.28	1,438
Cohen & Steers Realty Shares	1,366	58,000	56,074	0.27	0.28	157
PIMCO Commodity Real Return	1,363	72,882	66,214	2.11	2.32	1,536
	13,316	<u>102,647</u>	<u>98,273</u>	8.67	9.06	<u>8,904</u>
		<u>1,626,609</u>	<u>1,502,741</u>			<u>22,306</u>
Certificates of deposit						
Community Bank of Tri-County	-	197,391	197,391	-	-	-
Maryland Bank and Trust	-	<u>409,815</u>	<u>409,815</u>	-	-	-
		<u>607,206</u>	<u>607,206</u>			<u>-</u>
TOTAL INVESTMENTS		<u><u>\$ 3,428,385</u></u>	<u><u>\$ 3,308,504</u></u>			<u><u>\$ 66,662</u></u>