

COLLEGE OF SOUTHERN MARYLAND
FOUNDATION, INC.
La Plata, Maryland

FINANCIAL STATEMENTS
June 30, 2012 and 2011



CliftonLarsonAllen

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Independent Auditor's Report

Board of Directors
College of Southern Maryland Foundation, Inc.
La Plata, Maryland

We have audited the accompanying statements of financial position of the College of Southern Maryland Foundation, Inc. as of June 30, 2012 and the related statements of activities, and cash flows for the year 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 audit. The financial statements of the Foundation as of and for the year June 30, 2011 were audited by other accountants whose report, dated November 10, 2011, expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 the College of Southern Maryland Foundation, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of changes in net assets and investments are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
November 1, 2012

FINANCIAL STATEMENTS

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	2012	2011
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 1,019,837	\$ 1,196,140
Investments	5,160,462	4,660,537
Pledges receivable	334,855	465,652
TOTAL ASSETS	\$ 6,515,154	\$ 6,322,329
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 14,288	\$ 65,956
NET ASSETS		
Unrestricted	1,412,529	1,477,569
Temporarily restricted	2,038,711	1,854,587
Permanently restricted	3,049,626	2,924,217
Total net assets	6,500,866	6,256,373
TOTAL LIABILITIES AND NET ASSETS	\$ 6,515,154	\$ 6,322,329

The accompanying notes are an integral part of the financial statements.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2012 and 2011

	2012			2011			
	Unrestricted	Temporarily Permanently		Unrestricted	Temporarily Permanently		Total
		Restricted	Restricted		Restricted	Restricted	
SUPPORT AND REVENUE							
Contributions	\$ 121,093	\$ 240,365	\$ 127,132	\$ 109,694	\$ 206,040	\$ 33,034	\$ 348,768
Investment income	51,036	144,829	-	148,466	511,239	-	659,705
Donated services and facilities	175,216	-	-	173,071	-	-	173,071
In-kind contributions	2,068	1,965	-	85,198	-	-	85,198
Adjustment for uncollectible pledges	-	-	(1,723)	-	(35,908)	(7,061)	(42,969)
Net assets released from restrictions - satisfaction of program restrictions	203,035	(203,035)	-	228,020	(228,020)	-	-
Total support and revenue	<u>552,448</u>	<u>184,124</u>	<u>125,409</u>	<u>744,449</u>	<u>453,351</u>	<u>25,973</u>	<u>1,223,773</u>
EXPENSES							
Scholarships	263,803	-	-	188,045	-	-	188,045
CSM Children's Center donation	220	-	-	29,050	-	-	29,050
Ward Virts Plano Project donation	6,000	-	-	6,000	-	-	6,000
Trades and Technology donation	-	-	-	14,000	-	-	14,000
Nursing and Healthcare donations	750	-	-	35,800	-	-	35,800
ISTEM donation	22,050	-	-	28,850	-	-	28,850
Educational Excellence	-	-	-	10,000	-	-	10,000
Intercollegiate athletics donation	26,340	-	-	-	-	-	-
Other donations	18,089	-	-	85,212	-	-	85,212
Awards for banquet	6,947	-	-	9,662	-	-	9,662
Investment management fees	19,272	-	-	16,079	-	-	16,079
Meetings	6,035	-	-	10,092	-	-	10,092
Licenses and fees	1,313	-	-	1,086	-	-	1,086
Printing	14,943	-	-	14,799	-	-	14,799
Legal and accounting	15,410	-	-	15,592	-	-	15,592
Administrative expenses	5,249	-	-	4,890	-	-	4,890
Other special events	35,451	-	-	35,023	-	-	35,023
Bad debt expense (recovery)	400	-	-	(3,037)	-	-	(3,037)
Donated services and facilities	175,216	-	-	173,071	-	-	173,071
Total expenses	<u>617,489</u>	<u>-</u>	<u>-</u>	<u>674,214</u>	<u>-</u>	<u>-</u>	<u>674,214</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(65,040)</u>	<u>184,124</u>	<u>125,409</u>	<u>70,235</u>	<u>453,351</u>	<u>25,973</u>	<u>549,559</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,477,599</u>	<u>1,854,587</u>	<u>2,924,217</u>	<u>1,407,334</u>	<u>1,401,236</u>	<u>2,898,244</u>	<u>5,706,814</u>
NET ASSETS, END OF YEAR	<u>\$ 1,412,529</u>	<u>\$ 2,038,711</u>	<u>\$ 3,049,626</u>	<u>\$ 1,477,569</u>	<u>\$ 1,854,587</u>	<u>\$ 2,924,217</u>	<u>\$ 6,256,373</u>

The accompanying notes are an integral part of the financial statements.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 244,493	\$ 549,559
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of investments	(2,170)	(486,486)
Realized (gain) loss on sale of investments	(37,022)	(10,515)
Bad debt expense	11,407	41,742
Pledges receivable discount to present value	(11,236)	(24,955)
Permanently restricted contributions	(125,409)	(25,973)
Effect of changes in operating assets and liabilities:		
Pledges receivable	130,797	333,786
Accounts payable and accrued expenses	(51,668)	13,061
	159,192	390,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(532,784)	(1,583,128)
Proceeds from sale of investments	71,880	120,890
Redemption of certificates of deposit	-	607,206
	(460,904)	(855,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	125,409	25,973
DECREASE IN CASH AND CASH EQUIVALENTS		
	(176,303)	(438,840)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	1,196,140	1,634,980
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 1,019,837	\$ 1,196,140

The accompanying notes are an integral part of the financial statements.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 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, 2012 and 2011. 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.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and short-term investments with maturities at dates of purchase of three months or less are classified as cash equivalents, except that funds held by external endowment investment managers are classified with the investments. Cash equivalents include U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost plus accrued interest, which approximates fair value.

Classification of 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. All unrestricted funds are for use of the Foundation's supporting activities. Unrestricted net assets generally result from unrestricted contributions, less expenses incurred in receiving unrestricted contributions, raising contributions, and performing administrative functions. Temporarily restricted net assets generally result from contributions and other inflows of 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. Income from these assets can be unrestricted or restricted based on donor stipulation.

Scholarships

Scholarships are expensed when approved by the Board of Directors.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Costs of advertising are expensed as incurred and no advertising costs are capitalized. The Foundation expensed approximately \$653 and \$7,800, respectively, for the years ended June 30, 2012 and 2011 in advertising and it is included in in-kind contributions in the Statements of Activities.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time and services to the Foundation. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement of valuation. The College has allowed the Foundation to utilize office space on its campus. The utilities, water, and the space are provided at no cost to the Foundation are not deemed significant. There are no amounts for utilities, water and the space reflected in the financial statements.

Reclassifications

Certain 2011 amounts have been reclassified in conformity with the 2012 presentation. These reclassifications had no effect on net assets and the changes therein.

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, 2012 and 2011.

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 a 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, 2012 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:

	<u>2012</u>	<u>2011</u>
Program expenses	\$ 317,859	\$ 406,619
Management and general	107,007	97,929
Fundraising and direct expenses	<u>192,623</u>	<u>169,666</u>
Total	<u>\$ 617,489</u>	<u>\$ 674,214</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5 – INVESTMENTS

At June 20, 2012 and 2011, the Foundation's investments were in mutual funds summarized as follows:

	<u>2012</u>	<u>2011</u>
Bond funds	\$ 2,111,746	\$ 1,982,137
Equity funds	<u>3,048,716</u>	<u>2,678,400</u>
Total	<u>\$ 5,160,462</u>	<u>\$ 4,660,537</u>

Investment income from these investments for the years ended June 30, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 156,673	\$ 162,704
Realized gain on sale of investments	<u>37,022</u>	<u>10,515</u>
	193,695	173,219
Unrealized gain on investments	<u>2,170</u>	<u>486,486</u>
Total	<u>\$ 195,865</u>	<u>\$ 659,705</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 to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liabilities.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 6 – FAIR VALUE (CONTINUED)

Level 3

Valuation is 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.

For the year ended June 30, 2012, 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, 2012.

As of June 30, 2012 and 2011, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
<u>2012</u>				
Equity funds	\$ 3,048,716	\$ -	\$ -	\$ 3,048,716
Bond funds	2,111,746	-	-	2,111,746
Total	<u>\$ 5,160,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,160,462</u>
<u>2011</u>				
Equity funds	\$ 2,678,400	\$ -	\$ -	\$ 2,678,400
Bond funds	1,982,137	-	-	1,982,137
Total	<u>\$ 4,660,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,660,537</u>

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 7 – PLEDGES RECEIVABLE

Pledges receivable is composed of pledges for the following purposes:

	2012	2011
Children's Learning Center	\$ 15,000	\$ 20,000
Scholarships	93,242	121,636
Ward Virts Piano Project	6,000	12,000
ISTEM	62,000	74,000
Trades and Technologies	33,140	84,790
Nursing and Healthcare	45,000	83,250
Educational Excellence	21,250	22,500
Kids College	50,000	10,000
Unrestricted	41,600	72,300
	367,232	500,476
Discount to net present value	(22,744)	(34,551)
Allowance for uncollectible pledges	(9,633)	(273)
	\$ 334,855	\$ 465,652

The Foundation expects to collect pledges receivable in the following years ended June 30:

2013	\$ 206,282
2014	95,250
2015	22,700
2016	17,700
2017	16,700
Thereafter	8,600
	367,232
Discount to net present value	(22,744)
Allowance for uncollectible pledges	(9,633)
	\$ 334,855

Discount to net present value was computed at June 30, 2012 and 2011 using a rate of 5%.

NOTE 8 – RELATED PARTIES

The College donated consulting services, personnel services, facilities and support for fundraising and donor cultivation activities, including travel, printing, office and advertising costs to the Foundation valued at \$175,216 and \$173,071 in 2012 and 2011, respectively. These donations are reflected in the financial statements as both support revenue and expense.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 – RELATED PARTIES (CONTINUED)

The Foundation paid the College \$337,352 and \$406,619 in 2012 and 2011, 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 \$0 and \$75,121 for the years ended June 30, 2012 and 2011, respectively. These contributions are reflected as contributions to the College. Total in-kind contributions received for the years ended June 30, 2012 and 2011 totaled \$4,033 and \$85,198, respectively.

NOTE 9 – DONATED SERVICES AND FACILITIES

During the years ended June 30, 2012 and 2011, the value of donated goods and services recognized in the accompanying Statements of Activities as both support and expenses was \$175,216 and \$173,071, respectively, and included the following:

	2012	2011
Salaries and benefits	\$ 158,954	\$ 152,447
Conferences, meetings, and travel	9,014	13,117
Professional services and public relations	4,000	4,000
Printing	1,424	1,848
Office supplies	1,824	1,659
Total	\$ 175,216	\$ 173,071

NOTE 10 – ENDOWMENTS

The Foundation's endowments consist of 43 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.

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:

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 10 – ENDOWMENTS (CONTINUED)

- (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 (including pledges receivable of \$45,542 and \$112,207 as of June 30, 2012 and 2011) during the years ended June 30, 2012 and 2011:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 339,516	\$ 2,924,217	\$ 3,263,733
Contributions	-	-	127,132	127,132
Appropriation of endowment assets for expenditure	-	(40,751)	-	(40,751)
Endowment net assets after contributions and expenditures	-	298,765	3,051,349	3,350,114
Investment return:				
Investment income	-	119,874	-	119,874
Endowment net assets after investment income	-	418,639	3,051,349	3,469,988
Other changes:				
Transfer of investment income	-	37	-	37
Adjustment for uncollectible pledge	-	-	(1,723)	(1,723)
Endowment net assets, end of year	\$ -	\$ 418,676	\$ 3,049,626	\$ 3,468,302
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ (90,552)	\$ 2,898,244	\$ 2,807,692
Contributions	-	-	33,034	33,034
Appropriation of endowment assets for expenditure	-	(3,683)	-	(3,683)
Endowment net assets after contributions and expenditures	-	(94,235)	2,931,278	2,837,043
Investment return:				
Investment income	-	431,717	-	431,717
Endowment net assets after investment income	-	337,482	2,931,278	3,268,760
Other changes:				
Transfer of investment income	-	2,034	-	2,034
Adjustment for uncollectible pledge	-	-	(7,061)	(7,061)
Endowment net assets, end of year	\$ -	\$ 339,516	\$ 2,924,217	\$ 3,263,733

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 10 – ENDOWMENTS (CONTINUED)

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 as of June 30, 2012 and 2011.

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 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 in April 2010, the Board of Directors 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 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 return that 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.

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 11 – NET ASSET RESTRICTIONS

Net assets were restricted at June 30 for the following purposes:

	<u>2012</u>	<u>2011</u>
Unrestricted:		
Undesignated	\$ 1,387,529	\$ 1,452,569
Board designated for scholarships	25,000	25,000
Total unrestricted	<u>1,412,529</u>	<u>1,477,569</u>
Temporarily Restricted Net Assets:		
Academic programs	592,820	583,794
Childcare center	430,268	417,977
Endowed scholarships	418,028	334,847
Institutional support	11,208	10,573
Public service	67,238	71,686
Scholarships	457,831	413,061
Student support	61,318	22,649
Total temporarily restricted	<u>2,038,711</u>	<u>1,854,587</u>
Permanently Restricted Net Assets:		
Endowed scholarships	2,949,626	2,924,217
Program support	100,000	-
Total permanently restricted	<u>3,049,626</u>	<u>2,924,217</u>
Total	<u>\$ 6,500,866</u>	<u>\$ 6,256,373</u>

Temporarily restricted net assets released from restrictions were as follows:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 164,608	\$ 98,929
Program Support	38,427	129,091
	<u>\$ 203,035</u>	<u>\$ 228,020</u>

NOTE 12 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 1, 2012 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to November 1, 2012 that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2012.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Net Assets June 30, 2011	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Adjustment for Uncollectible Pledges	Net Assets June 30, 2012
UNRESTRICTED NET ASSETS							
Undesignated							
Undesignated gifts and bequests	\$ 1,365,256	\$ 50,031	\$ 73,488	\$ (67,893)	\$ (103,171)	\$ -	\$ 1,317,711
Golf & Tennis Classic	77,374	623	44,273	(26,179)	(36,471)	-	59,620
Technology Acct - State Matching Funds	4,996	196	-	-	-	-	5,192
Theatritext @ St. Mary's	63	3	-	-	-	-	66
Jaycees Educational Assistance Program	321	4	5,000	(5,123)	-	-	202
Library Memorial	4,559	179	-	-	-	-	4,738
Total undesignated	1,452,569	51,036	122,761	(99,195)	(139,642)	-	1,387,529
Board designated							
R. Fisher Endowment Fund	25,000	-	-	-	-	-	25,000
Total unrestricted net assets	1,477,569	51,036	122,761	(99,195)	(139,642)	-	1,412,529
TEMPORARILY RESTRICTED NET ASSETS							
Alumni Scholarship	1,415	52	-	-	-	-	1,467
Christopher Chinault Scholarship	5,366	2,175	-	-	-	-	7,541
Tony Hungerford Memorial Endowment Fund	4,317	2,433	-	-	-	-	6,750
J. Ivey Cline Memorial Scholarship	1,538	638	-	-	-	-	2,176
Harland R. & Lulu P. Cravat Memorial Scholarship	45,301	1,780	-	-	-	-	47,081
We Salute Our Troops - Desert Storm Scholarship	27	127	-	(793)	-	-	(639)
Matthew W. Hancock Memorial Scholarship	369	14	-	-	-	-	383
James C. Mitchell Nursing Scholarship	26,271	1,684	-	(2,322)	-	-	25,633
Civista Medical Center	935	430	-	-	-	-	1,365
Fanny Louise Sullivan Sine Henderson Scholarship	3,049	32	500	-	-	-	3,581
Mary Croft Ward Scholarship	429	19	-	-	-	-	448
Bill Wood Memorial Scholarship	20,147	763	120	(174)	-	-	20,856
Helen and Henry Lawlor Scholarship	11,582	1,242	-	(1,448)	-	-	11,376
Joanne Zwick Memorial Scholarship	251	403	-	-	-	-	654
McDonough Charity School	23,465	10,136	-	-	-	-	33,601

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Net Assets		Investment Income	Contributions	Scholarship Awards	Other		Adjustment for Uncollectible Pledges	Net Assets June 30, 2012
	June 30, 2011	June 30, 2012				Additions (Deductions)			
TEMPORARILY RESTRICTED NET ASSETS (Continued)									
Castles and Foundations Fund	\$ 3,658	\$ 2,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,782
Walter Grove II Endowment Fund	5,853	3,030	-	-	(1,000)	-	-	-	7,883
L. K. Farrall II Endowment Fund	5,052	2,063	-	-	-	-	-	-	7,115
Wm. B. and Vivian M. King Endowment Fund	109,258	49,575	-	-	(18,408)	-	-	-	140,425
Russell G. Croft	11,334	4,791	-	-	-	-	-	-	16,125
Ed Matthew s, Jr. Endowment Fund	1,802	893	-	-	(46)	-	-	-	2,649
William Lyon Endowment Fund	1,447	817	-	-	-	-	-	-	2,264
Albert L. Edler, Jr. Memorial	(1,882)	589	-	-	(1,000)	-	-	-	(2,293)
McWilliams Family Trust	1,605	1,027	-	-	-	-	-	-	2,632
Dr. Nallan Ramakrishna Scholarship	1,359	804	-	-	-	-	-	-	2,163
Calvert Chamber Fund	1,544	933	-	-	(6,000)	-	-	-	(3,523)
Thomas F. Goldsmith Fund	4,392	2,530	-	-	-	-	-	-	6,922
Marguerite Cox Family Memorial	3,097	1,230	-	-	-	-	-	-	4,327
Robert Ware Straus SMSC	23,846	937	-	-	-	-	-	-	24,783
Nursing Equipment Fund	107	5	-	-	-	-	-	-	112
P.E. Wellness Center	2,473	(38)	974	-	-	(635)	-	-	2,774
Technology @ Prince Frederick	1,557	(22)	-	-	-	-	-	-	1,535
Technology @ Leonardtown	7,934	(118)	648	-	-	-	-	-	8,464
Technology @ La Plata	1,082	(17)	145	-	-	-	-	-	1,210
CSM Children's Center	417,977	11,101	1,410	-	-	(220)	-	-	430,268
Southern Maryland Studies Center Fund	20,987	756	980	-	-	(1,500)	-	-	21,223
Marrick Properties	10,496	4,480	-	-	-	-	-	-	14,976
Gary Merrill	329	92	-	-	-	-	-	-	421
Leonardtown SA Kickoff Scholarship	732	29	-	-	-	-	-	-	761
J. Rice & M. Fauth Memorial	5,593	2,369	-	-	-	-	-	-	7,962

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Net Assets		Investment	Contributions	Scholarship	Other	Adjustment for	Net Assets
	June 30, 2011	June 30, 2012						
TEMPORARILY RESTRICTED NET ASSETS (Continued)								
Ward Viris Piano Project	\$ 18,556	\$ 631	\$ 89	\$ -	\$ -	\$ -	\$ -	\$ 13,276
ADF Bingo - Kids College	20,176	47,377	-	(9,009)	-	(6,000)	-	58,544
Calvert County 350th Anniversary Endowment	1,370	-	565	-	-	-	-	1,935
Shani J. Whipple Scholarship	5,545	-	432	-	-	-	-	5,977
J. Schulz-Collins Scholarship	26	-	5	-	-	-	-	31
Jack L. Sprague Scholarship	141	600	-	(541)	-	-	-	200
Calvert County Chamber Scholarship	5,332	3,000	(84)	-	-	-	-	8,248
St. Mary's County Scholarship Endowment Fund	18,492	-	2,267	(2,100)	-	-	-	18,659
Veterans Education Endowment Fund	40,067	20	2,915	-	-	-	-	43,002
Mercantile Southern Maryland Bank	72,842	-	2,858	-	-	-	-	75,700
St. Mary's Health Department Scholarship	59	-	2	-	-	-	-	61
Robert W. Sibole Scholarship	53	-	2	-	-	-	-	55
William D. Bauer Memorial Endowment	4,997	-	553	(630)	-	-	-	4,920
R. Fisher Endowment Fund	6,839	-	1,251	-	-	-	-	8,090
General Scholarship Fund	15,929	7,157	(264)	(340)	-	-	-	22,482
CLC Scholarship Fund	408	48	-	-	-	-	-	456
Leontown SGA Endowment Fund	2,460	-	647	-	-	-	-	3,107
Blaine Ryan Legacy Fund	43,774	-	1,697	-	-	-	-	45,471
Wyvill Teacher Endowment Scholarship	(1,024)	-	523	(204)	-	-	-	(705)
C&M McAllister Endowment Fund	2,675	-	1,025	-	-	-	-	3,700
Beers Scholarship Fund	16,718	-	7,791	(6,300)	-	-	-	18,209
Louis P. Jenkins, Sr. Endowment Fund	2,125	-	2,480	-	-	-	-	4,605
Nu Zeta Omega Scholarship	1,246	-	-	-	-	-	-	1,246
Milton Somers Scholarship	3,000	1,500	-	-	-	-	-	4,500
Celebration of the Arts	32,143	2,395	952	(2,750)	-	-	-	32,740

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
 SCHEDULE OF CHANGES IN NET ASSETS
 Year Ended June 30, 2012

	Net Assets June 30, 2011	Investment Income	Contributions	Scholarship Awards	Other Additions (Deductions)	Adjustment for Uncollectible Pledges	Net Assets June 30, 2012
TEMPORARILY RESTRICTED NET ASSETS (Continued)							
Helen J. Todd Scholarship	\$ 17,250	\$ -	\$ 10,000	\$ (16,750)	\$ -	\$ -	\$ 10,500
Neale C. Slater Memorial Scholarship	(408)	1,147	-	(500)	-	-	239
Pince Frederick Student Association Scholarship	16,413	378	1,000	(1,000)	-	-	16,791
Tri County 40/8 Nurse Scholarship	1,619	-	900	(800)	-	-	1,719
Renee Munday Math Endow ment	154	431	-	-	-	-	585
Charles County Technology Scholarship	-	-	750	-	-	-	750
Boone & Edelen Scholarship	375	-	640	(300)	-	-	715
ISTEM	187,765	430	39,528	-	(26,572)	-	201,151
Trades & Technologies	187,107	(348)	5,329	(12,918)	-	-	179,170
Nursing & Healthcare	150,312	205	4,092	(5,000)	(750)	-	148,859
Educational Excellence Fund	58,503	(223)	105	-	-	-	58,385
Endowed Scholarship Fund	6,420	1,712	-	-	-	-	8,132
Chandler Keys	59	2	-	-	-	-	61
Bradley Gottfried Endow ment	553	216	-	-	-	-	769
Kavetsky Family Endow ment	254	285	-	-	-	-	539
JF Faley, Jr. STEM Scholarship	4,999	(70)	-	-	-	-	4,929
BN Guerrieri Memorial Scholarship	650	-	650	(650)	-	-	650
ISSSWDC	2,500	-	2,500	(5,000)	-	-	-
Schweir & LaFleur Scholarship	2,409	-	1,664	(3,000)	-	-	1,073
Gary D. Smith Memorial Scholarship	2,990	-	370	(900)	-	-	2,460
Sidney Waugh Memorial Scholarship	3,184	-	2,266	(2,000)	-	-	3,450
J Morton Memorial Scholarship	1,765	-	50	-	-	-	1,815
W. Martinez Jr. Memorial Scholarship	76	-	1,500	(400)	-	-	1,176
SMVL Scholarship Fund	4,500	-	-	(4,500)	-	-	-
Jane H., Sypher Scholarship	3,973	-	135	(1,975)	-	-	2,133

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Net Assets	Investment	Contributions	Scholarship	Other	Adjustment for	Net Assets
	June 30, 2011	Income		Awards	Additions (Deductions)	Uncollectible Pledges	June 30, 2012
TEMPORARILY RESTRICTED NET ASSETS (Continued)							
Charles County Women's Club	\$ 242	\$ -	250	\$ (250)	\$ -	\$ -	242
Ziencik-Hess Memorial Scholarship	3,179	-	1,258	(3,100)	-	-	1,337
NRL Federal Credit Union Scholarship	-	-	500	(500)	-	-	-
NET Annual Scholarship Fund	95,201	2,771	8,000	(52,000)	-	-	53,972
Home Town ne RE Scholarship	2,500	-	2,500	(1,750)	-	-	3,250
Woodey Theatre Scholarship	-	-	925	-	-	-	925
Ruth Mathes Scholarship	-	-	2,500	-	-	-	2,500
TCMDAC/Delta Sigma Theta	-	-	500	-	-	-	500
APA & SAL Scholarship	-	-	500	-	-	-	500
Adjunct Faculty Merit	-	-	3,071	(500)	-	-	2,571
Adjunct Faculty Need	-	-	3,071	(500)	-	-	2,571
Old Line Bank Business Scholarship	-	-	47,246	-	-	-	47,246
Darrow Memorial Scholarship	-	-	4,000	-	-	-	4,000
Connie Kite Memorial Scholarship	-	25	1,000	-	-	-	1,025
DL Smith Memorial Art Scholarship	-	-	5,155	-	-	-	5,155
E Lilly Memorial Nursing	-	-	875	-	-	-	875
Coldwell Banker J Lilly-CTIT	-	-	875	-	-	-	875
McNelis Family Scholarship	-	-	1,000	-	-	-	1,000
Charles County Chamber Commerce	-	-	1,000	-	-	-	1,000
Zonta RAVE Walk Scholarship	-	-	12,500	-	-	-	12,500
WCCCA Scholarship	-	-	1,500	-	-	-	1,500
Chaney Endowment	-	254	-	-	-	-	254
TJ Murray Memorial Scholarship	-	-	1,000	-	-	-	1,000
S Behnke Legacy Fund	-	-	2,620	-	-	-	2,620
Ives Freedom Scholarship Fund	-	-	1,500	-	-	-	1,500
Total temporarily restricted net assets	1,854,587	144,829	242,330	(164,608)	(38,427)	-	2,038,711

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
 SCHEDULE OF CHANGES IN NET ASSETS
 Year Ended June 30, 2012

	Net Assets	Investment	Contributions	Scholarship	Other	Adjustment for	Net Assets
	June 30, 2011	Income		Awards	Additions (Deductions)	Uncollectible Pledges	June 30, 2012
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	3,063	-	-	-	-	-	3,063
Joanne Zw ick Memorial Scholarship	10,000	-	-	-	-	-	10,000
Helen and Henry Law lor Scholarship	22,500	-	1,000	-	-	-	23,500
We Salute Our Troops - Desert Storm Scholarship	3,063	-	-	-	-	-	3,063
Toney Hungerford Memorial Endowment Fund	57,945	-	585	-	-	-	58,530
Wm. B. and Vivian M. King Endowment Fund	1,156,150	-	-	-	-	-	1,156,150
McDonough Charity School	234,547	-	-	-	-	-	234,547
Castles and Foundation Fund	50,393	-	-	-	-	-	50,393
Walter Grove II Endowment Fund	72,894	-	2,205	-	-	-	75,099
L.K. Farrall III Endowment Fund	47,448	-	-	-	-	-	47,448
Russell G. Croft	111,052	-	500	-	-	-	111,552
Ed Matthew s, Jr. Endowment Fund	20,908	-	-	-	-	-	20,908
William Lyon Endowment Fund	19,336	-	-	-	-	-	19,336
Albert L. Edler, Jr. Memorial	21,000	-	-	-	-	-	21,000
McWilliams Family Trust	31,974	-	-	-	-	-	31,974
Calvert Chamber Fund	21,797	-	202	-	-	-	21,999
Dr. Nallan Ramakrishna Scholarship	19,100	-	-	-	-	-	19,100
Thomas F. Goldsmith Fund	60,000	-	-	-	-	-	60,000
Marguerite Cox Family Memorial	35,269	-	445	-	-	(1,723)	33,991
Marrick Properties	103,870	-	-	-	-	-	103,870
Gary Merrill	2,000	-	-	-	-	-	2,000

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Net Assets	Investment	Contributions	Scholarship	Other	Adjustment for	Net Assets
	June 30, 2011						Income
PERMANENTLY RESTRICTED NET ASSETS (Continued)							
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	50,100	-	-	-	-	-	50,100
Veterans Education Endowment Fund	33,809	-	1,604	-	-	-	35,413
William D. Bauer Memorial Endowment	10,000	-	-	-	-	-	10,000
Leonardtown SGA Endowment Fund	14,000	-	-	-	-	-	14,000
Wyvill Teacher Endowment Scholarship	16,275	-	732	-	-	-	17,007
C&M McAllister Endowment Fund	26,015	-	5,500	-	-	-	31,515
Beers Scholarship Fund	246,811	-	3,186	-	-	-	249,997
Louise P. Jenkins, Sr. Endowment Fund	61,000	-	-	-	-	-	61,000
Neale C Slater Memorial Scholarship	39,766	-	1,000	-	-	-	40,766
Renee Munday Math Endowment	10,949	-	-	-	-	-	10,949
Endowed Scholarship Fund	126,217	-	34	-	-	-	126,251
Bradley Gottfried Endowment	10,098	-	139	-	-	-	10,237
Kavetsky Family Endowment	7,000	-	-	-	-	-	7,000
Shani J Whipple Scholarship	5,452	-	-	-	-	-	5,452
NET Annual Scholarship	-	-	100,000	-	-	-	100,000
Chaney Endowment	-	-	10,000	-	-	-	10,000
Total permanently restricted net assets	<u>2,924,217</u>	<u>-</u>	<u>127,132</u>	<u>-</u>	<u>-</u>	<u>(1,723)</u>	<u>3,049,626</u>
Total net assets	<u>\$ 6,256,373</u>	<u>\$ 195,865</u>	<u>\$ 492,223</u>	<u>\$ (263,803)</u>	<u>\$ (178,069)</u>	<u>\$ (1,723)</u>	<u>\$ 6,500,866</u>

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

COLLEGE OF SOUTHERN MARYLAND FOUNDATION, INC.
SCHEDULE OF INVESTMENTS
June 30, 2012

	Units	Cost Basis	Market Value	% Yield		Estimated Annual Income
				Cost	Market	
INVESTMENTS						
Bond funds						
JP Morgan High Yield Fund	39,109	\$ 311,851	\$ 307,790	5.70%	5.77%	\$ 17,760
Ridgeworth Total Return	133,902	1,453,194	1,463,552	1.73%	1.72%	25,140
Vanguard Inflation Protected Securities	3,764	95,747	107,958	1.58%	1.40%	1,511
Eaton Vance Floating Rate Notes	12,363	116,101	115,015	3.99%	4.03%	4,630
Nuveen Preferred Securities	7,240	120,300	117,431	5.56%	5.70%	6,694
		<u>2,097,192</u>	<u>2,111,746</u>			<u>55,735</u>
Equity funds						
MFS Value Fund	19,350	422,847	465,750	1.89%	1.71%	7,971
Schwab S&P 500 Index Fund	41,391	765,318	886,592	1.94%	1.67%	14,834
Harbor Capital Appreciation	11,018	375,947	450,841	0.13%	0.10%	470
Conestoga Small Cap	18,554	367,252	459,395	0.00%	0.00%	-
American Beacon International	14,190	219,011	215,685	1.01%	1.03%	2,220
Artisan International Fund	9,757	189,062	213,582	1.46%	1.29%	2,755
Harding Loevner Emerging Markets	2,446	110,236	111,937	0.36%	0.35%	392
Cohen & Steers Realty Shares	1,604	89,237	109,510	1.01%	0.82%	898
PIMCO Commodity Real Return	21,094	155,175	135,424	2.32%	2.66%	3,602
		<u>2,694,086</u>	<u>3,048,716</u>			<u>33,142</u>
Total investments		<u>\$ 4,791,278</u>	<u>\$ 5,160,462</u>			<u>\$ 88,877</u>