

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**THE CREDIT UNION FOUNDATION OF MARYLAND
AND THE DISTRICT OF COLUMBIA, INC.**

DECEMBER 31, 2014 AND 2013



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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Credit Union Foundation of Maryland and the District of Columbia, Inc.

We have audited the accompanying financial statements of The Credit Union Foundation of Maryland and the District of Columbia, Inc. (a nonprofit organization, the Foundation), which comprise the statements of financial position as of **December 31, 2014 and 2013**, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PROFIT FROM OUR EXPERIENCE

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Credit Union Foundation of Maryland and the District of Columbia, Inc., as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bernau Goldman - Libakow CP

Columbia, Maryland

May 19, 2015



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 411,245	\$ 429,742
Contributions receivable	-	1,000
Investments, at fair value, short term	657,535	37,650
Short-term investments - other	1,134,005	497,182
Accrued investment income	4,217	11,564
Prepaid expenses	<u>2,857</u>	<u>8,800</u>
Total current assets	<u>2,209,859</u>	<u>985,938</u>
INVESTMENTS		
Long-term investments - other	<u>1,130,144</u>	<u>2,349,954</u>
PROPERTY AND EQUIPMENT		
Furniture and office equipment	17,619	28,614
Less accumulated depreciation	<u>(16,959)</u>	<u>(27,287)</u>
Total property and equipment, net less accumulated depreciation	<u>660</u>	<u>1,327</u>
TOTAL ASSETS	\$ <u>3,340,663</u>	\$ <u>3,337,219</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,405	\$ 1,090
Deferred revenue	<u>11,050</u>	<u>9,200</u>
Total current liabilities	<u>12,455</u>	<u>10,290</u>
NET ASSETS		
Net assets, unrestricted	3,173,873	3,174,727
Net assets, unrestricted, board designated	120,525	119,943
Net assets, temporarily restricted	32,013	30,462
Net assets, permanently restricted	<u>1,797</u>	<u>1,797</u>
	<u>3,328,208</u>	<u>3,326,929</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,340,663</u>	\$ <u>3,337,219</u>

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 149,400	\$ 21,973	\$ -	\$ 171,373
Investment income, net of fees of \$264	75,123	-	-	75,123
Special event, net of costs of \$14,640	5,733	-	-	5,733
Donated office space and facilities use	12,000	-	-	12,000
	<u>242,256</u>	<u>21,973</u>	<u>-</u>	<u>264,229</u>
Net assets released from restrictions	<u>20,422</u>	<u>(20,422)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>262,678</u>	<u>1,551</u>	<u>-</u>	<u>264,229</u>
Expenses				
Program services	195,884	-	-	195,884
Management and general	54,186	-	-	54,186
Fundraising	12,880	-	-	12,880
Total expenses	<u>262,950</u>	<u>-</u>	<u>-</u>	<u>262,950</u>
CHANGE IN NET ASSETS	(272)	1,551	-	1,279
NET ASSETS - BEGINNING OF YEAR	<u>3,294,670</u>	<u>30,462</u>	<u>1,797</u>	<u>3,326,929</u>
NET ASSETS - END OF YEAR	<u>\$ 3,294,398</u>	<u>\$ 32,013</u>	<u>\$ 1,797</u>	<u>\$ 3,328,208</u>

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 162,590	\$ 45,236	\$ -	\$ 207,826
Investment income, net of fees of \$374	45,359	-	-	45,359
Special event, net of costs of \$13,254	4,074	-	-	4,074
Donated office space and facilities use	12,000	-	-	12,000
	<u>224,023</u>	<u>45,236</u>	<u>-</u>	<u>269,259</u>
Net assets released from restrictions	<u>17,415</u>	<u>(17,415)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>241,438</u>	<u>27,821</u>	<u>-</u>	<u>269,259</u>
Expenses				
Program services	171,474	-	-	171,474
Management and general	58,702	-	-	58,702
Fundraising	16,932	-	-	16,932
Total expenses	<u>247,108</u>	<u>-</u>	<u>-</u>	<u>247,108</u>
CHANGE IN NET ASSETS	(5,670)	27,821	-	22,151
NET ASSETS - BEGINNING OF YEAR	<u>3,300,340</u>	<u>2,641</u>	<u>1,797</u>	<u>3,304,778</u>
NET ASSETS - END OF YEAR	<u>\$ 3,294,670</u>	<u>\$ 30,462</u>	<u>\$ 1,797</u>	<u>\$ 3,326,929</u>

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 1,279	\$ 22,151
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	667	1,322
Unrealized (gain) loss on investments	(7,253)	12,350
Change in assets and liabilities:		
Reimbursement receivable	-	12,491
Contribution receivable	1,000	(1,000)
Accrued investment income	7,347	1,934
Prepaid expenses	5,943	2,856
Accounts payable and accrued expenses	315	(1,442)
Deferred revenue	1,850	(8,083)
Net cash provided by operating activities	11,148	42,579
 Cash flows from investing activities		
Proceeds from disposal or maturity of investments	842,247	927,768
Purchase of investments	(871,892)	(758,661)
Net cash (used in) provided by investing activities	(29,645)	169,107
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,497)	211,686
Cash and cash equivalents - beginning of year	429,742	218,056
Cash and cash equivalents - end of year	\$ 411,245	\$ 429,742
 Supplemental disclosure of cash flows information		
Cash paid for income taxes	\$ 787	\$ 719

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Salary, benefits and payroll taxes	\$ 115,285	\$ 34,733	\$ 10,412	\$ 160,430
Other program expenses	17,734	-	-	17,734
College scholarship grants	16,610	-	-	16,610
Financial literacy grants	20,422	-	-	20,422
Office space and facilities use	5,640	4,920	1,440	12,000
Training grants	6,964	-	-	6,964
Professional fees	-	8,250	-	8,250
Miscellaneous	2,807	848	253	3,908
Grants to other organizations	1,837	-	-	1,837
Office expense and supplies	2,208	666	200	3,074
Travel and entertainment	1,517	457	137	2,111
Printing and reproduction	2,246	677	203	3,126
Telephone and telecommunications	1,323	399	119	1,841
Federal income taxes	-	787	-	787
Postage and delivery	811	244	73	1,128
Insurance	-	2,061	-	2,061
Depreciation	480	144	43	667
Total	<u>\$ 195,884</u>	<u>\$ 54,186</u>	<u>\$ 12,880</u>	<u>\$ 262,950</u>

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services	Management and General	Fundraising	Total
Salary, benefits and payroll taxes	\$ 102,361	\$ 37,923	\$ 13,874	\$ 154,158
Other program expenses	9,356	-	-	9,356
College scholarship grants	12,283	-	-	12,283
Financial literacy grants	17,415	-	-	17,415
Office space and facilities use	5,640	4,920	1,440	12,000
Training grants	9,836	-	-	9,836
Professional fees	-	8,650	-	8,650
Miscellaneous	3,951	1,463	535	5,949
Grants to other organizations	2,647	-	-	2,647
Office expense and supplies	2,009	744	272	3,025
Travel and entertainment	1,775	658	241	2,674
Printing and reproduction	1,363	505	185	2,053
Telephone and telecommunications	1,417	525	192	2,134
Federal income taxes	-	719	-	719
Postage and delivery	543	201	74	818
Insurance	-	2,069	-	2,069
Depreciation	878	325	119	1,322
Total	<u>\$ 171,474</u>	<u>\$ 58,702</u>	<u>\$ 16,932</u>	<u>\$ 247,108</u>

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

1. Organization and Nature of Activities

The Credit Union Foundation of Maryland and the District of Columbia, Inc. (the Foundation) is a not-for-profit organization incorporated under the laws of the state of Maryland. The Foundation was organized to support the credit union industry through educational scholarships and financial literacy projects, including, for such purposes, the making of distributions to organizations in the credit union industry. Activities include organizing school clubs, coordinating financial literacy programs, and arranging for scholarship funds.

2. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Accordingly, the Foundation's financial statements distinguish among unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets as follows:

Unrestricted net assets – consist of all funds which are expendable, at the discretion of the Foundation's management and Board of Directors for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose.

Temporarily restricted net assets – net assets that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Foundation pursuant to those stipulations. When a donor 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.

Permanently restricted net assets - a donor-imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

3. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), as a private operating foundation. Private operating foundations may be subject to an excise tax on their investment income in certain circumstances. The Foundation is subject to the excise tax and a provision for income taxes has been made in the financial statements for the years ended December 31, 2014 and 2013, of \$787 and \$719, respectively. In 2010, the Internal Revenue Service issued an advance decision indicating the Foundation will successfully convert from a private operating foundation to a public charity after the end of the 60-month period ending December 31, 2014, subject to meeting the requirements of the Code section 509(a)(1), (2), or (3).

Accounting principles generally accepted in the United States require that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a return. The Foundation has determined that its financial statements do not include any uncertain tax positions for the tax years of 2013, 2012, and 2011.

4. Cash and Cash Equivalents

For financial reporting purposes, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Certificates of Deposit

Certificates of deposit held for investment that are not debt securities are included in "investments-other." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments-other." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments-other." Certificates of deposit are valued based on contractual terms, and are valued at \$2,264,149 and \$2,847,136 as of December 31, 2014 and 2013, respectively. Interest and dividend income, net of fees, was \$67,870 and \$57,709 as of December 31, 2014 and 2013, respectively.

6. Investment Valuation and Income Recognition

The Foundation's investments are stated at quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from investment transactions are specifically identified. Investment income is recorded as earned and unrealized gains and losses are included in the statement of activities.



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

7. Property and Equipment

Property and equipment, consisting of furniture and office equipment, are stated at cost and are depreciated over the estimated useful life of three to seven years using the straight-line method. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. Gains and losses on the disposal of property and equipment are recorded as revenue and expenses, respectively. Depreciation expense was \$667 and \$1,322 for the years ended December 31, 2014 and 2013, respectively.

8. Contributions and Grants

The Foundation accounts for grants and contributions in accordance with the guidance of the FASB ASC 958-605, *Accounting for Contributions Made*. Under FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of restrictions. When the 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. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

The Board of Directors designated \$91,222 to a fund called the Roycroft Fund. The purpose of the Roycroft Fund is to foster leadership within the credit union industry. This fund had a balance of \$120,525 and \$119,943 for the years ended December 31, 2014 and 2013, respectively.

9. Donated Office Space and Facilities Use

Office space and facilities use has been donated to the Foundation. The estimated fair value of such donation has been estimated by management and reported as revenue and related expense, as applicable.

10. Functional Allocation of Expenses

The Foundation presents expenses on a functional basis, in accordance with FASB ASC 958. Under FASB ASC 958-225, a not-for-profit organization is required to report information regarding its service efforts (programs), including the costs of its services and how it uses its resources.

The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on direct cost charged to each activity.

11. Use of 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 and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Reclassification

Certain reclassifications have been made to the prior year to conform to the current year presentation.

NOTE B – INVESTMENTS

The Foundation's investments are recorded at fair value and consist of the following as of December 31:

	2014		
	Fair Value	Cost	Unrealized Gain (Loss)
Stocks, options, EFT's	\$ 623,310	\$ 600,282	\$ 23,028
Mutual funds	34,225	50,000	(15,775)
Total investments	\$ 657,535	\$ 650,282	\$ 7,253
	2013		
	Fair Value	Cost	Unrealized Gain (Loss)
Mutual funds	\$ 37,650	\$ 50,000	\$ (12,350)
Total investments	\$ 37,650	\$ 50,000	\$ (12,350)



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

The Foundation's total investment income consists of unrealized gains from investments and interest and dividends, net of fees, from certificates of deposit. Total investment income consists of the following as of December 31:

	2014	2013
Interest and dividend income, net	\$ 67,870	57,709
Unrealized gain	7,253	(12,350)
Total investment income	\$ 75,123	45,359

NOTE C – FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are describes as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology includes:
- 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 liability;
 - 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.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Stocks, options, and EFT's: Valued at the publically traded value as of December 31, 2014 and 2013.

Mutual funds: Valued at the publicly traded value as of December 31, 2014 and 2013.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks, options, EFT's	\$ 623,310	\$ -	\$ -	\$ 623,310
Mutual fund - fixed income	34,225	-	-	34,225
Total investments at fair value	<u>\$ 657,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,535</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund - fixed income	\$ 37,650	\$ -	\$ -	\$ 37,650
Total investments at fair value	<u>\$ 37,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,650</u>

NOTE D – DEFERRED REVENUE

The Foundation sponsors an annual event which takes place subsequent to December 31, 2014 and 2013, and collected money for these events prior to December 31, 2014 and 2013. The contribution portion of the special event payment is conditioned on the event taking place, and is recognized as revenue after the event takes place. Deferred revenue had a balance of \$11,050 and \$9,200 as December 31, 2014 and 2013, respectively.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Financial literacy	\$ <u>32,013</u>	\$ <u>30,462</u>



The Credit Union Foundation of Maryland and the District of Columbia, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Purpose restriction accomplished:

	<u>2014</u>	<u>2013</u>
Financial literacy	\$ <u>20,422</u>	\$ <u>17,415</u>

NOTE F – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$1,797 at December 31, 2014 and 2013, consist of contributions toward a permanent endowment fund for the future maintained by the Foundation.

NOTE G – EMPLOYEE BENEFITS PLAN

The Foundation sponsors a 403(b) retirement plan for its employees. Employees are eligible to participate after attaining age of 21. Under the terms of the plan, employees are entitled to contribute a portion of compensation within the limitations established by the Code. The Foundation makes contributions to the accounts of eligible employees equal to ten percent of compensation as defined in the plan document. The Foundation's contributions were approximately \$16,500 and \$14,500 for the years ended December 31, 2014 and 2013, respectively.

NOTE H – SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 19, 2015, the date the financial statements were available to be issued. As discussed in Note A3 the Foundation is converting from a private operating foundation to a public charity as of December 31, 2014. In 2015 the Foundation filed for their public charity status.

