

THE CREDIT UNION FOUNDATION OF MD & DC

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

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

THE CREDIT UNION FOUNDATION OF MD & DC

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
NOTES TO FINANCIAL STATEMENTS	8

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Credit Union Foundation of MD & DC

We have audited the accompanying statement of financial position of The Credit Union Foundation of MD & DC as of **December 31, 2008**, and the related statements of activities and changes in net assets, functional expenses, 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 Credit Union Foundation of MD & DC as of December 31, 2007 were audited by another auditor, whose report dated May 14, 2008 expressed an unqualified opinion on those 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 Foundation as of **December 31, 2008**, 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.

Ellicott City, MD

February 9, 2009

THE CREDIT UNION FOUNDATION OF MD & DC
STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 266,319	\$ 275,161
Accrued investment income and other receivables	23,874	43,795
Prepaid Expenses	2,175	-
Total current assets	292,368	318,956
INVESTMENTS		
Investments, at fair value	2,830,977	2,735,008
PROPERTY AND EQUIPMENT		
Furniture and Equipment	26,537	26,537
Less- Accumulated Depreciation	(14,833)	(9,007)
Total PP&E, less accumulated depreciation	11,704	17,530
TOTAL ASSETS	\$ 3,135,049	\$ 3,071,494
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and Accrued expenses	\$ 22,048	\$ 21,151
Deferred Revenue	10,350	26,750
Total current liabilities	32,398	47,901
NET ASSETS		
Net assets, unrestricted, board designated	109,321	108,127
Net assets, unrestricted	2,964,658	2,882,956
Net assets, temporarily restricted	27,372	31,210
Net assets, permanently restricted	1,300	1,300
	3,102,651	3,023,593
TOTAL LIABILITIES AND NET ASSETS	\$ 3,135,049	\$ 3,071,494

See accompanying notes to financial statements.

THE CREDIT UNION FOUNDATION OF MD & DC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 156,385	\$ 5,662	\$ -	\$ 162,047
Unrealized gain (loss) on investment	10,059	-	-	10,059
Investment income	129,426	-	-	129,426
Special event revenue, net of costs	5,455	-	-	5,455
Donated office space and facilities use	12,000	-	-	12,000
	<u>313,325</u>	<u>5,662</u>	<u>-</u>	<u>318,987</u>
Net assets released from restriction	<u>9,500</u>	<u>(9,500)</u>	<u>-</u>	<u>-</u>
Total Revenues	322,825	(3,838)	-	318,987
EXPENSES				
Program Services	149,165	-	-	149,165
Management and general	69,966	-	-	69,966
Fundraising	20,798	-	-	20,798
Total Expenses	<u>239,929</u>	<u>-</u>	<u>-</u>	<u>239,929</u>
CHANGE IN NET ASSETS	82,896	(3,838)	-	79,058
NET ASSETS-				
BEGINNING OF YEAR	2,991,083	31,210	1,300	3,023,593
NET ASSETS-				
END OF YEAR	<u>\$ 3,073,979</u>	<u>\$ 27,372</u>	<u>\$ 1,300</u>	<u>\$ 3,102,651</u>

See accompanying notes to financial statements.

THE CREDIT UNION FOUNDATION OF MD & DC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 174,958	\$ 6,710	\$ 1,300	\$ 182,968
Unrealized gain (loss) on investments	6,664	-	-	6,664
Investment income	136,835	-	-	136,835
Special event revenue, net of costs	4,373	-	-	4,373
Donated office space and facilities use	9,800	-	-	9,800
	<u>332,630</u>	<u>6,710</u>	<u>1,300</u>	<u>340,640</u>
Net assets released from restriction	<u>500</u>	<u>(500)</u>	<u>-</u>	<u>-</u>
Total Revenues	333,130	6,210	1,300	340,640
EXPENSES				
Program Services	130,865	-	-	130,865
Management and general	61,443	-	-	61,443
Fundraising	30,721	-	-	30,721
Total Expenses	<u>223,029</u>	<u>-</u>	<u>-</u>	<u>223,029</u>
CHANGE IN NET ASSETS	110,101	6,210	1,300	117,611
NET ASSETS-				
BEGINNING OF YEAR	2,880,982	25,000	-	2,905,982
NET ASSETS-				
END OF YEAR	<u>\$ 2,991,083</u>	<u>\$ 31,210</u>	<u>\$ 1,300</u>	<u>\$ 3,023,593</u>

See accompanying notes to financial statements.

THE CREDIT UNION FOUNDATION OF MD & DC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ 79,058	\$ 117,611
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,826	5,826
Unrealized gain on investments	10,059	6,664
Change in assets and liabilities:		
Accrued investment income and other receivables	19,921	7,872
Prepays expenses	(2,175)	9,885
Accounts payable and accrued expenses	897	10,126
Deferred Revenue	(16,400)	(32,950)
Net cash provided by operating activities	<u>97,186</u>	<u>125,034</u>
Cash flows from investing activities		
Proceeds from disposal or maturity of investments	2,310,494	2,759,769
Purchase of investments	(2,416,522)	(2,753,484)
Net cash (used in) provided by investing activities	<u>(106,028)</u>	<u>6,285</u>
Net (decrease) increase in cash and cash equivalents	(8,842)	131,319
Cash and cash equivalents, beginning of year	275,161	143,842
Cash and cash equivalents, end of year	<u>\$ 266,319</u>	<u>\$ 275,161</u>
Cash paid for income taxes	<u>\$ 2,325</u>	<u>\$ 5,139</u>

See accompanying notes to financial statements.

THE CREDIT UNION FOUNDATION OF MD & DC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary, benefits and payroll taxes	\$ 58,318	\$ 50,601	\$ 15,560	\$ 124,479
College Scholarship grants	10,961	-	-	10,961
CUNA staff scholarships	8,000	-	-	8,000
Financial literacy grants	5,000	-	-	5,000
Roycroft Leadership grant	4,342	-	-	4,342
Grants to other organizations	33,395	-	-	33,395
Grants	9,500	-	-	9,500
Professional Fees	2,881	2,500	769	6,150
In kind office expense	5,622	4,878	1,500	12,000
Other Program Expenses	11	-	-	11
Printing and reproduction	1,353	1,174	359	2,886
Office expense and supplies	2,730	2,369	729	5,828
Postage and Delivery	423	367	113	903
Telephone and telecomm	551	478	147	1,176
Insurance	279	242	74	595
Travel and entertainment	1,891	1,641	505	4,037
Miscellaneous	1,179	1,023	313	2,515
Federal income taxes	-	2,325	-	2,325
Depreciation expense	2,729	2,368	729	5,826
Total	<u>\$ 149,165</u>	<u>\$ 69,966</u>	<u>\$ 20,798</u>	<u>\$ 239,929</u>

See accompanying notes to financial statements

THE CREDIT UNION FOUNDATION OF MD & DC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary, benefits and payroll taxes	\$ 48,633	\$ 42,978	\$ 21,489	\$ 113,100
Scholarship program grants	10,000	-	-	10,000
CUNA staff scholarships	5,000	-	-	5,000
Financial literacy grant	22,000	-	-	22,000
Roycroft Leadership grant	20,168	-	-	20,168
Grants to other organizations	2,170	-	-	2,170
Credit union miracle fund contribution	1,000	-	-	1,000
Miscellaneous grant	1,000	-	-	1,000
Professional Fees	2,477	2,189	1,094	5,760
In kind office expense	4,214	3,724	1,862	9,800
Services	865	765	382	2,012
Printing and reproduction	1,972	1,743	871	4,586
Office expense and supplies	506	448	224	1,178
Postage and Delivery	496	436	219	1,151
Telephone and telecomm	497	440	220	1,157
Insurance	470	416	208	1,094
Travel and entertainment	3,118	2,755	1,378	7,251
Miscellaneous	1,564	1,382	691	3,637
Federal income taxes	2,210	1,953	976	5,139
Depreciation expense	2,505	2,214	1,107	5,826
Total	<u>\$ 130,865</u>	<u>\$ 61,443</u>	<u>\$ 30,721</u>	<u>\$ 223,029</u>

See accompanying notes to financial statements

THE CREDIT UNION FOUNDATION OF MD & DC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
GENERAL INFORMATION**

1. Organization and Nature of Activities

The Credit Union Foundation of MD & DC (the Foundation) is a not-for-profit organization formerly known as the CUIC Foundation, which was incorporated under the law of the State of Maryland on October 25, 1991. The Foundation was organized exclusively for educational and charitable purposes, including, for such purposes, the making of distributions to organizations in the credit union industry.

2. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with Statements of Financial Accounting Standard No. 117 "Financial Statements of Not-for-Profit Organizations".

3. Income Tax Status

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue 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, 2008 and 2007 of \$2,325 and \$5,139, respectively.

4. Cash and Cash Equivalents

For purpose of statement of cash flows, the Foundation considers money market and checking accounts to be cash equivalents.

5. Furniture and Office Equipment

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. Gain and losses on the disposal of property and equipment are recorded as revenue and expenses, respectively. Depreciation expense was \$5,826 for the years ended December 31, 2008 and 2007.

THE CREDIT UNION FOUNDATION OF MD & DC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
GENERAL INFORMATION**

6. Revenue Recognition

The Foundation accounts for grants and contributions in accordance with recommendation of the FASB in SFAS No. 116, *Accounting for Contributions Made*. In accordance with SFAS No. 116, 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 statement of activities as net assets released from restrictions. The Board of Directors designated \$105,657 to a designated fund called the Roycroft Fund to be used for an annual speaker series on leadership. This fund had a balance of \$109,321 and \$108,127 at December 31, 2008 and 2007, respectively.

7. Functional Allocation of Expenses

The Foundation prepares its statements in accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 costs of providing program and other activities have been summarized on functional basis in the Statements of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on direct cost charged to each activity.

8. Contributed Services and Materials

Certain services and materials have been contributed to The Foundation. The estimated fair value of such contributions have been estimated by management and reported as contributions and also as an expense, as applicable.

9. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management usually makes estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE CREDIT UNION FOUNDATION OF MD & DC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
GENERAL INFORMATION (Continued)**

10. 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.

NOTE B – INVESTMENTS

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

	2008		
	Fair Value	Cost	Unrealized gain (loss)
Certificate of Deposits	\$ 2,811,477	\$ 2,789,393	\$ 22,084
Mutual Funds	19,500	50,000	(30,500)
Total	\$ 2,830,977	\$ 2,839,393	\$ (8,416)
Interest and dividend income	\$ 129,426		
Unrealized gain	\$ 10,059		
	2007		
	Fair Value	Cost	Unrealized gain (loss)
Certificate of Deposits	\$ 2,696,258	\$ 2,703,484	\$ (7,226)
Mutual Funds	38,750	50,000	(11,250)
	\$ 2,735,008	\$ 2,753,484	\$ (18,476)
Interest and dividend income	\$ 136,835		
Unrealized gain	\$ 6,664		

THE CREDIT UNION FOUNDATION OF MD & DC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE C – CONCENTRATION OF CREDIT RISK

The Foundation is required by SFAS No. 105 to disclose significant concentrations of credit risk. The amount of cash and cash equivalents that was uninsured as of December 31, 2008 and 2007 was \$0 and \$66,566, respectively.

NOTE D – DEFERRED REVENUE

The Foundation sponsored an annual special event subsequent to December 31, 2008 and 2007, and collected money for these events prior to December 31, 2008 and 2007. 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.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

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

	2008	2007
Financial Literacy	\$ 24,122	\$ 27,710
Roycroft fund	-	2,000
Small credit union support	1,250	1,500
College scholarships	2,000	-
	<u>\$ 27,372</u>	<u>\$ 31,210</u>

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

Purpose restriction accomplished:

	2008	2007
Financial Literacy	\$ 5,000	\$ 500
Roycroft fund	2,800	-
Small credit union support	1,700	-
	<u>\$ 9,500</u>	<u>\$ 500</u>

THE CREDIT UNION FOUNDATION OF MD & DC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE F – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$1,300 at December 31, 2008 and December 31, 2007 consist of contributions toward a permanent endowment fund for the future maintained by the Foundation.

NOTE G – CONTRIBUTED MATERIAL AND SERVICES

Contributed material and services consist of donated office space and facilities use and is reflected in the accompanying financial statements. The amount of contributed material and services for the years ended December 31, 2008 and 2007 was \$12,000 and \$9,800 respectively.

NOTE H – ADVERTISING

The Foundation expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2008 and 2007 was \$2,491 and \$1,662 respectively.

NOTE I – RELATED PARTY TRANSACTIONS

The President of the Maryland and District of Columbia Credit Union Association (MDDCCUA) is an officer of the Board of Directors of the Foundation. Office space and facilities are provided by the MDDCCUA. The value of the donated services provided for the years ended December 31, 2008 and 2007 was \$12,000 and \$9,800, as indicated in Note G.

The Foundation received \$56,118 in 2008 and \$72,438 in 2007 from the MDDCCUA as a contribution for its allocation of proceeds from the Community Investment Fund. In addition, the receivable representing the fourth quarter contribution from the MDDCCUA as of December 31, 2008 and 2007 was \$7,685 and \$19,998, respectively. This is an annual contribution from the proceeds from the National Credit Union Foundation, pursuant to an agreement between the Foundation and MDDCCUA, where funds contributed by credit unions are intended to benefit the Foundation.

The Foundation provided grants to MDDCCUA in the amount of \$60,528 in 2008 and \$60,000 in 2007.

In addition, in 2007 the Foundation's Executive Director was paid through the payroll system of the MDDCCUA. Salary, payroll taxes and benefits were paid by the MDDCCUA and reimbursed by the Foundation. In December 2007, the Executive Director became a direct employee of the Foundation.