

COAST GUARD MUTUAL ASSISTANCE, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

MURRAY, JONSON, WHITE & ASSOCIATES, LTD., P.C.
Certified Public Accountants
Falls Church, Virginia

COAST GUARD MUTUAL ASSISTANCE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Control Coast Guard Mutual Assistance, Inc.

We have audited the accompanying statements of financial position of Coast Guard Mutual Assistance, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 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 Coast Guard Mutual Assistance, Inc. as of December 31, 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.

Murray, Jonson, White & Associates, Ltd., P.C.

Certified Public Accountants

February 28, 2011

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COAST GUARD MUTUAL ASSISTANCE, INC.

**STATEMENTS OF FINANCIAL POSITION
December 31,**

ASSETS

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 927,382	\$ 859,106
Pledges receivable - Note 3	715,000	690,000
Investments - Notes 2 and 4	15,077,409	13,018,078
Accrued dividends and interest	52,690	53,365
Loans receivable - Net - Note 5	2,948,091	3,169,261
Other receivables	2,460	1,476
Property and equipment - Net - Note 6	<u>121,491</u>	<u>161,989</u>
TOTAL ASSETS	\$ <u>19,844,523</u>	\$ <u>17,953,275</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 2,350	\$ 2,650
Accrued leave	<u>51,646</u>	<u>47,334</u>
TOTAL LIABILITIES	<u>53,996</u>	<u>49,984</u>
NET ASSETS		
Unrestricted	19,000,335	17,125,164
Temporarily restricted - Note 7	<u>790,192</u>	<u>778,127</u>
TOTAL NET ASSETS	<u>19,790,527</u>	<u>17,903,291</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>19,844,523</u>	\$ <u>17,953,275</u>

The accompanying notes to financial statements are an integral part of this statement.

COAST GUARD MUTUAL ASSISTANCE, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009

COAST GUARD MUTUAL ASSISTANCE, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31,

	2010		
	Unre- restricted	Tempor- arily Re- stricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Annual campaign collections	\$ 1,273,643	\$ 715,000	\$ 1,988,643
Other donations and miscellaneous income	137,700	-	137,700
Grants repaid/collection agency payments	9,067	-	9,067
	1,420,410	715,000	2,135,410
Investments			
Interest and dividends	341,134	-	341,134
Realized and unrealized gains (losses)	1,275,166	-	1,275,166
Investment management fees paid	(57,644)	-	(57,644)
	1,558,656	-	1,558,656
Donated facilities - Note 8	112,596	-	112,596
Net assets released from restrictions - Note 7	702,935	(702,935)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	3,794,597	12,065	3,806,662
EXPENSES			
Program expenses	1,462,068	-	1,462,068
Supporting services			
General and administrative	328,348	-	328,348
Fund-raising	129,010	-	129,010
TOTAL EXPENSES	1,919,426	-	1,919,426
CHANGE IN NET ASSETS	1,875,171	12,065	1,887,236
NET ASSETS AT BEGINNING OF YEAR	17,125,164	778,127	17,903,291
NET ASSETS AT END OF YEAR	\$ 19,000,335	\$ 790,192	\$ 19,790,527

The accompanying notes to financial statements are an integral part of this statement.

2009		
<u>Unre- restricted</u>	<u>Tempor- arily Re- stricted</u>	<u>Total</u>
\$ 1,285,039	\$ 690,000	\$ 1,975,039
172,436	-	172,436
7,997	-	7,997
<u>1,465,472</u>	<u>690,000</u>	<u>2,155,472</u>
350,323	-	350,323
1,560,238	-	1,560,238
<u>(51,229)</u>	<u>-</u>	<u>(51,229)</u>
<u>1,859,332</u>	<u>-</u>	<u>1,859,332</u>
<u>109,919</u>	<u>-</u>	<u>109,919</u>
<u>658,955</u>	<u>(658,955)</u>	<u>-</u>
<u>4,093,678</u>	<u>31,045</u>	<u>4,124,723</u>
1,549,008	-	1,549,008
331,364	-	331,364
<u>125,846</u>	<u>-</u>	<u>125,846</u>
<u>2,006,218</u>	<u>-</u>	<u>2,006,218</u>
2,087,460	31,045	2,118,505
<u>15,037,704</u>	<u>747,082</u>	<u>15,784,786</u>
\$ <u><u>17,125,164</u></u>	\$ <u><u>778,127</u></u>	\$ <u><u>17,903,291</u></u>

COAST GUARD MUTUAL ASSISTANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2010 and 2009

COAST GUARD MUTUAL ASSISTANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31,

	2010			
	Program Expenses	General and Admin- istrative	Fund Raising	Total
Grants				
SEG grants	\$ 639,017	\$ -	\$ -	\$ 639,017
Personal grants	52,725	-	-	52,725
Salaries and Benefits	389,659	228,164	32,472	650,295
Facilities Rental - Note 8	67,557	39,409	5,630	112,596
Bad Debt Expense (Net of Collections)	108,280	-	-	108,280
Printing and Mailing	-	3,955	77,173	81,128
Loans Converted to Grants	64,225	-	-	64,225
Depreciation	40,498	-	-	40,498
Computer and Equipment Maintenance	30,450	9,214	-	39,664
Special Programs	37,232	-	-	37,232
Legal and Audit	-	18,888	-	18,888
Bank Fees	-	16,281	-	16,281
Education Loans 3% Refund	15,139	-	-	15,139
Miscellaneous Expenses	2,174	5,587	3,483	11,244
State Registration Fees	-	-	8,843	8,843
Layette Program	6,695	-	-	6,695
Outreach Program	5,649	-	-	5,649
Insurance/Bonding	-	4,398	-	4,398
Financial Counseling Fees	2,768	-	-	2,768
Office Supplies	-	2,452	-	2,452
Credit Card Processing Fees	-	-	1,409	1,409
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	\$ <u>1,462,068</u>	\$ <u>328,348</u>	\$ <u>129,010</u>	\$ <u>1,919,426</u>

The accompanying notes to financial statements are an integral part of this statement.

2009

<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 660,383	\$ -	\$ -	\$ 660,383
49,242	-	-	49,242
396,418	231,244	33,035	660,697
65,951	38,472	5,496	109,919
109,827	-	-	109,827
7,883	3,761	75,297	86,941
100,245	-	-	100,245
36,000	-	-	36,000
73,050	9,444	-	82,494
12,505	-	-	12,505
-	17,849	-	17,849
-	17,103	-	17,103
17,743	-	-	17,743
1,494	6,227	1,287	9,008
-	-	8,594	8,594
3,500	-	-	3,500
10,817	-	-	10,817
-	4,263	-	4,263
3,950	-	-	3,950
-	3,001	-	3,001
-	-	2,137	2,137
\$ <u>1,549,008</u>	\$ <u>331,364</u>	\$ <u>125,846</u>	\$ <u>2,006,218</u>

COAST GUARD MUTUAL ASSISTANCE, INC.

**STATEMENTS OF CASH FLOWS
For the Years Ended December 31,**

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,887,236	\$ 2,118,505
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	40,498	36,000
Realized and unrealized (gains) losses on investments	(1,275,166)	(1,560,238)
Changes in operating assets and liabilities		
(Increase) decrease in pledges receivable	(25,000)	(40,000)
(Increase) decrease in accrued dividends and interest	675	12,371
(Increase) decrease in loans receivable	221,170	(44,906)
(Increase) decrease in other receivables	(984)	(776)
Increase (decrease) in accounts payable	(300)	(8,561)
Increase (decrease) in accrued leave	<u>4,312</u>	<u>8,373</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>852,441</u>	 <u>520,768</u>
 INVESTING ACTIVITIES		
Purchases of property and equipment	-	(26,896)
Purchases of investments	(4,624,862)	(2,378,325)
Proceeds from sale of investments	<u>3,840,697</u>	<u>2,067,010</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(784,165)</u>	 <u>(338,211)</u>
 Increase (decrease) in cash and cash equivalents	68,276	182,557
Cash and cash equivalents at beginning of period	<u>859,106</u>	<u>676,549</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 \$ <u>927,382</u>	 \$ <u>859,106</u>

The accompanying notes to financial statements are an integral part of this statement.

COAST GUARD MUTUAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coast Guard Mutual Assistance, Inc. (CGMA) is a non-profit charitable organization operating since 1924 to provide financial aid to all active-duty and retired Coast Guard personnel, commissioned officers of the Public Health Service serving with the Coast Guard, civilian employees of the Coast Guard, and members of the Selected Reserve and Auxiliary. Financial assistance may be in the form of an outright grant or an interest-free loan for housing assistance, post-secondary educational purposes, general assistance, medical and dental assistance, debt management, or emergency assistance. The organization consists of a headquarters located in Arlington, Virginia and over 130 field offices located at Coast Guard installations throughout the country. CGMA incorporated in Virginia in 1998.

CGMA is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code.

- (a). Financial Statement Presentation - CGMA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no permanently restricted net assets.
- (b). Cash and Cash Equivalents - For purposes of the statement of cash flows the organization considers substantially all highly liquid investments (with the exception of certificates of deposit) with a maturity of three months or less when purchased to be cash equivalents. Short-term, highly liquid instruments purchased for its investment accounts and handled by investment managers are treated as investments rather than cash equivalents.
- (c). Promises to Give - Contributions result primarily from annual fund raising campaigns among active-duty and retired Coast Guard personnel, including civilians, auxiliaries, and reservists. Contributions are recognized when the donor makes a promise to give to CGMA that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the existence and/or nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. CGMA estimates the amount of pledges receivable based upon historical experience.
- (d). Investments - All investments in debt and equity securities are carried at fair value, with gains and losses included in a statement of activities. Gains and losses on investments reflected in the accompanying statement of activities include gains and losses realized upon sales and unrealized gains and losses resulting from fluctuations in market values of investments. Gains and losses upon sales are calculated using the first-in first-out method.
- (e). Property and Equipment - Property and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs are charged against income as incurred; betterments which increase the value or materially extend the life of the related assets are capitalized.

COAST GUARD MUTUAL ASSISTANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

- (f). Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant items subject to such estimates and assumptions include the carrying amount of loans and pledges receivable and their related allowances for doubtful accounts and bad debt expense, and the value of donated services and facilities. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject CGMA to concentration of credit risk consist principally of temporary cash investments, investments, and loans receivable. CGMA places its temporary cash investments with high credit quality financial institutions. Master notes and commercial paper are not bank deposits and are not insured by the Federal Deposit Insurance Corporation. With respect to investments, CGMA limits its credit risk by diversifying its investments.

NOTE 3 - PLEDGES RECEIVABLE

CGMA recognizes uncollected pledges as receivables. At December 31, 2010 and 2009, CGMA had uncollected pledges totaling an estimated \$715,000 and \$690,000, respectively, all due in less than one year. CGMA estimates the amount of pledges receivable each year based upon historical experience; therefore, no separate allowance for uncollectible pledges is reported.

NOTE 4 - INVESTMENTS

The following table summarizes market values as of December 31,:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 1,065,844	\$ 1,507,010
Equities	9,406,810	7,079,972
Fixed income securities	4,441,065	4,253,825
Alternative investments (Public REITs)	<u>163,690</u>	<u>177,271</u>
TOTAL	\$ <u>15,077,409</u>	\$ <u>13,018,078</u>

COAST GUARD MUTUAL ASSISTANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 4 - INVESTMENTS: Continued

Investments were recorded at fair value based on the following level of hierarchy as of December 31, :

	2010 (Level 1)	2009 (Level 1)
Money market funds	\$ 1,065,844	\$ 1,507,010
Equities	9,406,810	7,079,972
Fixed income securities	4,441,065	4,253,825
Alternative investments (Public REITs)	<u>163,690</u>	<u>177,271</u>
TOTAL	\$ <u>15,077,409</u>	\$ <u>13,018,078</u>

Level 1 inputs include quoted market prices in active markets for identical assets. There were no level 2 (significant other observable) or level 3 (significant unobservable) inputs used to determine the fair value of the investments for the years ended December 31, 2010 and 2009.

NOTE 5 - LOANS RECEIVABLE

At December 31, 2010 and 2009, CGMA had uncollateralized loans receivable totaling \$3,068,091 and \$3,289,261, respectively, all to present or former members of the Coast Guard family. CGMA loans bear no interest. Some of the loans are converted into grants and, thereby, expensed if it becomes apparent that the individual is in financial need and is unable to repay. Loans outstanding at December 31, 2010 and 2009 are shown net of an allowance for doubtful accounts of \$120,000 for each year, respectively. The allowance is calculated based on prior history of loan repayments. Loans are reviewed monthly to determine if any are past due or delinquent.

Program expenses do not include \$3,973,735 and \$4,148,949 respectively, in interest-free loans made by the organization during the years ended December 31, 2010 and 2009, and revenues do not include \$4,022,401 and \$3,893,970 respectively, in repayments on loans received during the same periods. In accordance with generally accepted accounting principles, loans made and repayments of loans affect the calculation of the loan balance on the statement of financial position and are not shown as income or expenses.

COAST GUARD MUTUAL ASSISTANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31,:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 8,453	\$ 8,453
Software redevelopment	197,990	197,990
Computer software	<u>514,050</u>	<u>514,050</u>
 TOTAL PROPERTY AND EQUIPMENT	 720,493	 720,493
 Less: Accumulated depreciation	 <u>(599,002)</u>	 <u>(558,504)</u>
 NET PROPERTY AND EQUIPMENT	 \$ <u>121,491</u>	 \$ <u>161,989</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Funds pledged for the next calendar year	\$ 715,000	\$ 690,000
Survivor benefits information service	53,285	66,220
Financial education workshops	<u>21,907</u>	<u>21,907</u>
 TOTAL	 \$ <u>790,192</u>	 \$ <u>778,127</u>

Net assets were released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events.

Restriction accomplished:

	<u>2010</u>	<u>2009</u>
Expiration of time restriction	\$ 690,000	\$ 650,000
Survivor benefits program	<u>12,935</u>	<u>8,955</u>
 TOTAL	 \$ <u>702,935</u>	 \$ <u>658,955</u>

COAST GUARD MUTUAL ASSISTANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 8 - CONTRIBUTED SERVICES AND FACILITIES

Some property and equipment used by CGMA in its operations is the property of the U.S. Coast Guard. The organization also receives substantial benefit from services donated by members of the Coast Guard, including administrative and fundraising assistance. CGMA occupies space leased by the Coast Guard which is provided to CGMA at no charge. The value of donated facilities was estimated at \$112,596 and \$109,919 during the years ended December 31, 2010 and 2009, respectively. These donated facilities are recorded in the financial statements as revenue and rent expense.

NOTE 9 - RETIREMENT PLAN

CGMA provides a salary deferral arrangement which is qualified under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the plan. CGMA matches 100% of employee contributions up to 5% of the employee's annual compensation. CGMA matching contributions for the years ended December 31, 2010 and 2009 were \$22,190 and \$18,188, respectively.

NOTE 10 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the organization through February 28, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statement or disclosure in the notes to the financial statements.