

**COAST GUARD MUTUAL ASSISTANCE, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010, and the related statements of activities 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, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of functional expenses on page 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Certified Public Accountants**

February 27, 2012

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**COAST GUARD MUTUAL ASSISTANCE, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31,**

**ASSETS**

	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 940,193	\$ 927,382
Pledges receivable - Note 3	735,000	715,000
Investments - Notes 2 and 4	15,490,971	15,077,409
Accrued dividends and interest	53,655	52,690
Loans receivable - Net - Note 5	3,047,525	2,948,091
Other receivables	3,394	2,460
Property and equipment - Net - Note 6	<u>80,994</u>	<u>121,491</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>20,351,732</u></b>	<b>\$ <u>19,844,523</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 3,696	\$ 2,350
Accrued leave	<u>52,943</u>	<u>51,646</u>
<b>TOTAL LIABILITIES</b>	<u>56,639</u>	<u>53,996</u>
<b>NET ASSETS</b>		
Unrestricted	19,490,192	19,000,335
Temporarily restricted - Note 7	<u>804,901</u>	<u>790,192</u>
<b>TOTAL NET ASSETS</b>	<u>20,295,093</u>	<u>19,790,527</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>20,351,732</u></b>	<b>\$ <u>19,844,523</u></b>

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, 2011 and 2010**

**COAST GUARD MUTUAL ASSISTANCE, INC.**

**STATEMENTS OF ACTIVITIES  
For the Years Ended December 31,**

	<u>2011</u>		
	<u>Unre-</u>	<u>Tempor-</u>	
	<u>restricted</u>	<u>arily</u>	
		<u>Re-</u>	
		<u>stricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Annual campaign collections	\$ 1,310,383	\$ 735,000	\$ 2,045,383
Other donations and miscellaneous income	305,355	-	305,355
Grants repaid/collection agency payments	<u>14,519</u>	<u>-</u>	<u>14,519</u>
	<u>1,630,257</u>	<u>735,000</u>	<u>2,365,257</u>
Investments			
Interest and dividends	363,628	-	363,628
Realized and unrealized gains (losses)	(384,882)	-	(384,882)
Investment management fees paid	<u>(63,765)</u>	<u>-</u>	<u>(63,765)</u>
	<u>(85,019)</u>	<u>-</u>	<u>(85,019)</u>
Donated facilities - Note 8	<u>116,066</u>	<u>-</u>	<u>116,066</u>
Net assets released from restrictions - Note 7	<u>720,291</u>	<u>(720,291)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>2,381,595</u>	<u>14,709</u>	<u>2,396,304</u>
EXPENSES			
Program expenses	1,446,067	-	1,446,067
Supporting services			
General and administrative	324,861	-	324,861
Fund-raising	<u>120,810</u>	<u>-</u>	<u>120,810</u>
TOTAL EXPENSES	<u>1,891,738</u>	<u>-</u>	<u>1,891,738</u>
CHANGE IN NET ASSETS	489,857	14,709	504,566
NET ASSETS AT BEGINNING OF YEAR	<u>19,000,335</u>	<u>790,192</u>	<u>19,790,527</u>
NET ASSETS AT END OF YEAR	\$ <u>19,490,192</u>	\$ <u>804,901</u>	\$ <u>20,295,093</u>

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

<b>2010</b>		
<b><u>Unre-</u> <u>restricted</u></b>	<b><u>Tempor-</u> <u>arily</u> <u>Re-</u> <u>stricted</u></b>	<b><u>Total</u></b>
\$ 1,273,643	\$ 715,000	\$ 1,988,643
137,700	-	137,700
9,067	-	9,067
<u>1,420,410</u>	<u>715,000</u>	<u>2,135,410</u>
341,134	-	341,134
1,275,166	-	1,275,166
<u>(57,644)</u>	<u>-</u>	<u>(57,644)</u>
<u>1,558,656</u>	<u>-</u>	<u>1,558,656</u>
<u>112,596</u>	<u>-</u>	<u>112,596</u>
<u>702,935</u>	<u>(702,935)</u>	<u>-</u>
<u>3,794,597</u>	<u>12,065</u>	<u>3,806,662</u>
1,462,068	-	1,462,068
328,348	-	328,348
<u>129,010</u>	<u>-</u>	<u>129,010</u>
<u>1,919,426</u>	<u>-</u>	<u>1,919,426</u>
1,875,171	12,065	1,887,236
<u>17,125,164</u>	<u>778,127</u>	<u>17,903,291</u>
\$ <u><u>19,000,335</u></u>	\$ <u><u>790,192</u></u>	\$ <u><u>19,790,527</u></u>

**COAST GUARD MUTUAL ASSISTANCE, INC.**

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

	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 504,566	\$ 1,887,236
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	40,497	40,498
Provision for doubtful accounts	30,000	-
Realized and unrealized (gains) losses on investments	384,882	(1,275,166)
Changes in operating assets and liabilities		
(Increase) decrease in pledges receivable	(20,000)	(25,000)
(Increase) decrease in accrued dividends and interest	(965)	675
(Increase) decrease in loans receivable	(129,434)	221,170
(Increase) decrease in other receivables	(934)	(984)
Increase (decrease) in accounts payable	1,346	(300)
Increase (decrease) in accrued leave	<u>1,297</u>	<u>4,312</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>811,255</u>	<u>852,441</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(7,714,598)	(4,624,862)
Proceeds from sale of investments	<u>6,916,154</u>	<u>3,840,697</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(798,444)</u>	<u>(784,165)</u>
Increase (decrease) in cash and cash equivalents	12,811	68,276
Cash and cash equivalents at beginning of period	<u>927,382</u>	<u>859,106</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ <u>940,193</u>	\$ <u>927,382</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.

- (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.
- (g). CGMA is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. With few exceptions, CGMA is no longer subject to examinations by tax authorities for years prior to 2008.
- (h). Functional Allocation of Expenses – Expenses have been summarized by program and supporting services in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

**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, 2011 and 2010, CGMA had uncollected pledges totaling an estimated \$735,000 and \$715,000, 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>2011</u>	<u>2010</u>
Money Market Funds	\$ 928,566	\$ 1,065,844
Equities	9,481,036	9,406,810
Fixed Income Securities	4,907,386	4,441,065
Alternative Investments	<u>173,983</u>	<u>163,690</u>
TOTAL	\$ <u>15,490,971</u>	\$ <u>15,077,409</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, :

	<b>2011 (Level 1)</b>	<b>2010 (Level 1)</b>
Money Market Funds	\$ 928,566	\$ 1,065,844
Equities	9,481,036	9,406,810
Fixed Income Securities	4,907,386	4,441,065
Public REITs	<u>173,983</u>	<u>163,690</u>
 TOTAL	 \$ <u>15,490,971</u>	 \$ <u>15,077,409</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, 2011 and 2010.

**NOTE 5 - LOANS RECEIVABLE**

At December 31, 2011 and 2010, CGMA had uncollateralized loans receivable totaling \$3,197,525 and \$3,068,091, 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, 2011 and 2010 are shown net of an allowance for doubtful accounts of \$150,000 and 120,000, 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 \$3,990,197 and \$3,973,735 respectively, in interest-free loans made by the organization during the years ended December 31, 2011 and 2010, and revenues do not include \$3,696,422 and \$4,022,401 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>2011</u>	<u>2010</u>
Furniture and Equipment	\$ 1,394	\$ 8,453
Software Redevelopment	197,990	197,990
Computer Software	<u>514,050</u>	<u>514,050</u>
TOTAL PROPERTY AND EQUIPMENT	713,434	720,493
Less: Accumulated Depreciation	<u>(632,440)</u>	<u>(599,002)</u>
NET PROPERTY AND EQUIPMENT	\$ <u>80,994</u>	\$ <u>121,491</u>

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Funds Pledged for the Next Calendar Year	\$ 735,000	\$ 715,000
Survivor Benefits Program	48,310	53,285
Financial Education Workshops	<u>21,591</u>	<u>21,907</u>
TOTAL	\$ <u>804,901</u>	\$ <u>790,192</u>

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

Restriction accomplished:

	<u>2011</u>	<u>2010</u>
Expiration of Time Restriction	\$ 715,000	\$ 690,000
Survivor Benefits Program	4,975	12,935
Financial Education Workshops	<u>316</u>	<u>-</u>
TOTAL	\$ <u>720,291</u>	\$ <u>702,935</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 \$116,066 and \$112,596 during the years ended December 31, 2011 and 2010, 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, 2011 and 2010 were \$20,943 and \$22,190, respectively.

**NOTE 10 - CONTINGENCY**

In November 2011, the office of the Secretary of Defense relieved CGMA of all funding responsibility for its Survivor Benefits Program. The CGMA Survivor Benefits Membership Program provided membership in a lifetime benefit and entitlement information service to spouses and children of Coast Guard members who died on active duty or when drilling under reserve orders. In the past, CGMA received restricted gifts for this program from various donors no longer in existence.

At December 31, 2011, temporarily restricted net assets include approximately \$48,000 of restricted gifts associated with this program. Management is currently evaluating CGMA's responsibilities and opportunities regarding these restricted gifts. At the report date, however, no estimate can be made as to the ultimate resolution regarding these gifts. Accordingly, no provision for estimated loss, if any, is reflected in the accompanying financial statements.

**NOTE 11 - 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 27, 2012, 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.

**COAST GUARD MUTUAL ASSISTANCE, INC.**  
**SUPPLEMENTARY INFORMATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2011 and 2010**

**COAST GUARD MUTUAL ASSISTANCE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended December 31,

	2011			
	<u>Program Expenses</u>	<u>General and Admin- istrative</u>	<u>Fund Raising</u>	<u>Total</u>
Grants				
SEG grants	\$ 627,347	\$ -	\$ -	\$ 627,347
Personal grants	36,656	-	-	36,656
Salaries and Benefits	380,008	221,671	31,668	633,347
Facilities Rental - Note 8	69,639	40,623	5,804	116,066
Bad Debt Expense (Net of Collections)	169,466	-	-	169,466
Printing and Mailing	6,502	5,864	73,019	85,385
Loans Converted to Grants	24,876	-	-	24,876
Depreciation	40,497	-	-	40,497
Computer and Equipment Maintenance	31,388	10,538	-	41,926
Special Programs	26,196	-	-	26,196
Legal and Audit	-	17,000	-	17,000
Bank Fees	-	18,362	-	18,362
Education Loans 3% Refund	10,467	-	-	10,467
Miscellaneous Expenses	2,750	4,383	79	7,212
State Registration Fees	-	-	8,500	8,500
Layette Program	9,004	-	-	9,004
Outreach Program	8,845	-	-	8,845
Insurance/Bonding	-	4,262	-	4,262
Financial Counseling Fees	2,426	-	-	2,426
Office Supplies	-	2,158	-	2,158
Credit Card Processing Fees	-	-	1,740	1,740
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	\$ <u>1,446,067</u>	\$ <u>324,861</u>	\$ <u>120,810</u>	\$ <u>1,891,738</u>

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

**2010**

<b>Program Expenses</b>	<b>General and Administrative</b>	<b>Fund Raising</b>	<b>Total</b>
\$ 639,017	\$ -	\$ -	\$ 639,017
52,725	-	-	52,725
389,659	228,164	32,472	650,295
67,557	39,409	5,630	112,596
108,280	-	-	108,280
-	3,955	77,173	81,128
64,225	-	-	64,225
40,498	-	-	40,498
30,450	9,214	-	39,664
37,232	-	-	37,232
-	18,888	-	18,888
-	16,281	-	16,281
15,139	-	-	15,139
2,174	5,587	3,483	11,244
-	-	8,843	8,843
6,695	-	-	6,695
5,649	-	-	5,649
-	4,398	-	4,398
2,768	-	-	2,768
-	2,452	-	2,452
-	-	1,409	1,409
<u>\$ 1,462,068</u>	<u>\$ 328,348</u>	<u>\$ 129,010</u>	<u>\$ 1,919,426</u>