

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

GOVERNMENT & NON-PROFIT AUDIT GROUP, PLC
Certified Public Accountants
Chantilly, Virginia

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

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Government & Non-Profit Audit Group, PLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montgomery County Parks Foundation, Inc.
Silver Spring, MD

We have audited the accompanying financial statements of Montgomery County Parks Foundation, Inc. (a nonprofit organization), which comprises the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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.

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 Montgomery County Parks Foundation, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Government & Non-Profit Audit Group, PLC

Certified Public Accountants
Chantilly, Virginia

March 21, 2013

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MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

ASSETS

Current Assets		
Cash and cash equivalents	\$	373,158
Prepaid expenses		921
Total Current Assets		<u>374,079</u>
Property and Equipment		
Software		7,788
Accumulated amortization		(3,131)
Total Property and Equipment		<u>4,657</u>
Other Assets		
Investments		<u>60,121</u>
Total Assets	\$	<u><u>438,857</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$	<u>12,730</u>
Net Assets		
Unrestricted		
Undesignated		86,307
Board designated		60,121
Total Unrestricted Net Assets		<u>146,428</u>
Temporarily Restricted		<u>279,699</u>
Total Net Assets		<u>426,127</u>
Total Liabilities and Net Assets	\$	<u><u>438,857</u></u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 36,713	\$ 378,582	\$ 415,295
In-kind donations	193,850	-	193,850
Investment income	15	-	15
Net assets released from restriction:			
Satisfaction of project restriction	<u>170,774</u>	<u>(170,774)</u>	<u>-</u>
Total Revenue and Support	<u>401,352</u>	<u>207,808</u>	<u>609,160</u>
Expenses			
Program expenses	113,371	-	113,371
Management and general	90,930	-	90,930
Fundraising	<u>78,421</u>	<u>-</u>	<u>78,421</u>
Total Expenses	<u>282,722</u>	<u>-</u>	<u>282,722</u>
Change in Net Assets	118,630	207,808	326,438
Net Assets at Beginning of Year	<u>27,798</u>	<u>71,891</u>	<u>99,689</u>
Net Assets at End of Year	<u>\$ 146,428</u>	<u>\$ 279,699</u>	<u>\$ 426,127</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Wages and benefits	\$ 45,257	\$ 52,800	\$ 52,800	\$ 150,857
Project expense	58,567	-	-	58,567
Professional fees	-	18,423	-	18,423
Marketing	-	169	15,000	15,169
Software	-	4,356	6,534	10,890
Contract services	8,332	-	-	8,332
Rent and utilities	1,215	4,050	2,835	8,100
Office expense	-	5,420	-	5,420
Amortization	-	835	1,252	2,087
Bank fees	-	1,358	-	1,358
Insurance	-	1,107	-	1,107
Travel and meetings	-	978	-	978
Equipment expense	-	750	-	750
Training	-	440	-	440
Membership expense	-	244	-	244
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 113,371</u>	<u>\$ 90,930</u>	<u>\$ 78,421</u>	<u>\$ 282,722</u>

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

Cash flows from operating activities	
Change in net assets	\$ 326,438
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Amortization expense	2,087
Changes in operating assets and liabilities:	
Decrease in accounts receivable	35,000
Increase in prepaid expenses	(24)
Increase in accounts payable	10,446
	<u>10,446</u>
Net cash provided by operating activities	<u>373,947</u>
Cash flows from investing activities	
Purchase of software	(1,527)
Proceeds from investments	136
Purchase of investments	(60,257)
	<u>(60,257)</u>
Net cash used in investing activities	<u>(61,648)</u>
Change in cash and cash equivalents	312,299
Cash and cash equivalents, beginning of year	<u>60,859</u>
Cash and cash equivalents, end of year	<u>\$ 373,158</u>

See accompanying notes to financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Significant Accounting Policies

The Montgomery County Parks Foundation, Inc. (the Foundation) is a nonprofit organization incorporated in 1992 under the laws of the State of Maryland. The Foundation is dedicated to help fund parks and open space needs in Montgomery County, Maryland. The Foundation works in cooperation with private citizens, businesses, other foundations, the Maryland-National Capital Park and Planning Commission, and the Montgomery County Department of Parks to meet these parks and open space needs. The Foundation's primary sources of funds are from contributions and donated services.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a) **Basis of Accounting** – The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.
- (b) **Basis of Presentation** – The Foundation is required to report 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. As of December 31, 2012, the Foundation had temporarily restricted net assets of \$279,699 and the Foundation had no permanently restricted net assets.
- (c) **Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.
- (d) **Investments** – Investments consist of cash held by the Community Foundation for the National Capital Region (CFNCR) that earn interest at .50%. Investments are reported at fair value, with any unrealized and realized gains and losses included as components of investment income.
- (e) **Support and Revenue** – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.
- (f) **Revenue Recognition** – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. 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 statement of activities as net assets released from restrictions.
- (g) **Income Tax Matters** – The Foundation has been granted tax exempt status under the Internal Revenue Code Section 501(c)(3) on all income other than unrelated business income. The Foundation has been classified as an organization that is not a private foundation.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – Organization and Significant Accounting Policies (continued)

- (h) Management Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, including estimates relating to assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
- (i) Accounts Receivable – The Foundation solicits pledges and grants from individuals, corporations, foundations, and local businesses. Management periodically evaluates the contributions receivable and determines the need for an allowance for doubtful accounts. Management considers the Foundation’s past receivables loss experience, adverse situations that may affect the donor’s ability to pay, and current economic conditions.
- (j) Property and Equipment – Purchased property and equipment are recorded at cost for any item in excess of \$500. Contributed property and equipment is recorded at its fair market value on the date of contribution. 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.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful life of the software is 3 years.

- (k) Concentration of Credit Risk and Market Risk – The Foundation occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Foundation has not experienced any losses on its cash accounts. The Foundation’s investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is in cash.
- (l) Uncertain Tax Positions – As of December 31, 2012, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended December 31, 2009 through 2011.
- (m) Functional Presentation – The direct costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs, management and general and fundraising activities benefited.
- (n) Advertising Costs – Advertising costs are expensed when incurred.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 – Leases

No formal lease agreement has been written. Montgomery County Department of Parks donates office space on a month-to-month basis to the Foundation. Donated rent for the year ended December 31, 2012 was valued at \$8,100.

NOTE 3 – Donated Services and Support

Donated services and materials received during the year ended December 31, 2012 were recognized in the accompanying financial statements as in-kind support and are offset by like amounts included in expenses or assets.

Donated services and materials received for the year ended December 31, 2012 consisted of:

<u>Program Support:</u>	
Wages and benefits	\$ 45,000
Rent and utilities expense	<u>1,215</u>
Sub-total	\$ <u>46,215</u>
<u>General Operations Support:</u>	
Wages and benefits	\$ 52,500
Professional fees	15,000
Office expense	5,000
Rent and utilities expense	4,050
Equipment expense	<u>750</u>
Sub-total	\$ <u>77,300</u>
<u>Fundraising Support:</u>	
Wages and benefits	\$ 52,500
Marketing	15,000
Rent and utilities expense	<u>2,835</u>
Sub-total	\$ <u>70,335</u>
Total	\$ <u>193,850</u>

NOTE 4 – Related Parties

The Foundation is related to the Montgomery County Department of Parks (MCDP) through common support. For the year ended December 31, 2012, the MCDP made in-kind donations of salaries and benefits, rent, marketing and office expense to the Foundation of \$193,850. The Foundation's fundraising efforts are directed towards granting funding to support the parks and open space under the management of the Foundation.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 – Investments

Investments are recorded at fair market value based on level 2 inputs (observable market-based inputs other than level 1 prices or unobservable inputs corroborated by market data) and are comprised of the following as of December 31, 2012:

	Fair Market Value	Cost
Community Foundation for the National Capital Region	\$60,121	\$60,121
Total	<u>\$60,121</u>	<u>\$60,121</u>

The fair value of the Community Foundation for the National Capital Region funds has been estimated using value reported by the Community Foundation for the National Capital Region. The Foundation is generally permitted to make complete or partial redemptions of its investments at Community Foundation for the National Capital Region.

Net investment income for the year ended December 31, 2012 consists of unrestricted interest and dividend income of \$15.

NOTE 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets include donor restricted funds which are available for various purposes. As of December 31, 2012 temporarily restricted assets are available for the following activities:

<u>Project:</u>	
Brookside Gardens	\$132,122
Westmoreland	69,283
Tributes	37,125
Rock Creek Park	22,000
Naming Rights	8,813
NNI Elimination	6,044
Future Projects	3,430
Chesapeake Bay Trust	491
Hillmead Park	<u>391</u>
Total	<u>\$279,699</u>

Net assets for the year ended December 31, 2012, were released from donor restrictions, by incurring expenses and/or satisfying the purpose or time restrictions specified by donors as follows:

<u>Project:</u>	
Takoma Piney Branch Park	\$ 70,000
Tributes	44,259
Brookside Gardens	36,845
Naming Rights	7,292
NNI Elimination	4,956
Westmoreland	4,422
Rock Creek Park	<u>3,000</u>
Total	<u>\$170,774</u>

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 7 – Board Designated Funds

The Board Designated Funds consist of money designated by the Foundation's Board of Directors for the Takoma Piney Branch Park. Because of a lack of donor restrictions, these funds are considered unrestricted in accordance with FASB Statement No. 117. However, the Foundation has disclosed these funds separately to reflect the Board's desire that these funds be retained for the Takoma Piney Branch Park. Board Designated Funds as of December 31, 2012 were \$60,121.

NOTE 8 – Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through March 29, 2012, the date which the financial statements were available to be issued.