

**MOUNT VERNON PLACE
CONSERVANCY, INC.**

FINANCIAL STATEMENTS

June 30, 2016

MOUNT VERNON PLACE CONSERVANCY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mount Vernon Place Conservancy, Inc.
Baltimore, Maryland

We have audited the accompanying financial statements of Mount Vernon Place Conservancy, Inc. (a Maryland not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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.

Auditor's 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 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.

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 Mount Vernon Place Conservancy, Inc. as of June 30, 2016, and the changes of 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.

Correction of an Error

As described in Note G. to the financial statements, prior period adjustments were made to correct pledges receivable and temporarily restricted net assets. Our opinion is not modified with respect to that matter.

Weil, Akman, Baylin & Coleman, P.A.

Timonium, Maryland

March 17, 2017

MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$ 644,233
Pledges receivable, net	<u>247,997</u>
Total assets	\$ <u>892,230</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 5,924</u>
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Net assets

Unrestricted	229,285
Temporarily restricted net assets	<u>657,021</u>
Total net assets	<u>886,306</u>

Total liabilities and net assets	\$ <u>892,230</u>
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MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support			
Contributions	\$ 80,796	\$ 270,024	\$ 350,820
Government grants	735,987	-	735,987
Events	47,282	-	47,282
	<hr/>	<hr/>	<hr/>
Total revenues and other support	864,065	270,024	1,134,089
	<hr/>	<hr/>	<hr/>
Functional expenses			
Program services	818,704	-	818,704
Management and general	74,444	-	74,444
	<hr/>	<hr/>	<hr/>
Total expenses	893,148	-	893,148
	<hr/>	<hr/>	<hr/>
Change in net assets	(29,083)	270,024	240,941
	<hr/>	<hr/>	<hr/>
Net assets - beginning of year (as restated)	258,368	386,997	645,365
	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 229,285	\$ 657,021	\$ 886,306
	<hr/>	<hr/>	<hr/>

MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:

Change in net assets	\$ 240,941
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Decrease) in pledges receivable discount	(8,000)
Decrease in assets:	
Grants receivable	455,703
Pledges receivable	189,000
Prepaid expenses	14,105
(Decrease) in liabilities:	
Accounts payable	<u>(725,448)</u>
Net cash provided by operating activities	<u>166,301</u>
Cash and cash equivalents - beginning of year	<u>477,932</u>
Cash and cash equivalents - end of the year	<u>\$ 644,233</u>

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Mount Vernon Place Conservancy, Inc. (the Organization) was incorporated in 2008 for the charitable purpose of acting as the full-time single management entity responsible for the historic restoration, oversight and protection, and day-to-day maintenance and management of Mount Vernon Place, the centerpiece of a National Historic Landmark District. The Organization's exempt purpose is to ensure that this national treasure will be protected, restored, and properly maintained. The Organization has entered into an agreement with the City of Baltimore. Under the agreement, the City will contribute some funding and services, but the Organization will assume the primary responsibility of raising funds for not only the capital restoration costs, but ongoing maintenance expenses of Mount Vernon Place.

Method of Accounting

The financial statements are prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Under this Topic, the Organization 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. It is the policy of the Organization that temporarily restricted assets received and released from restriction within the same period are presented as unrestricted in the financial statements. There were no permanently restricted net assets for the year ended June 30, 2016.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments including money market accounts with a maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization's management believes the Organization is not exposed to any significant credit risk on their balances.

Grants Receivable

Grants receivable represent amounts due from city, state, and local government organizations. Amounts are recorded and recognized when certain grant stipulations have been satisfied and are available for payment.

Pledges Receivable, net

The carrying amount of pledges receivable is stated at the amount that reflects management's best estimate of the balances that will be collected. Management individually reviews all accounts and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Based on management's assessment of the credit history and current relationships with the members, they have concluded that pledges receivable are fully collectible; accordingly, no allowance for doubtful accounts is required. Discounts on multi-year pledges are calculated at 3% and based on the year the pledge is expected to be paid.

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

Property and equipment are stated at cost, or fair value at date of donation for donated items, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the depreciable assets using the straight-line method. The Organization did not have any property and equipment as of June 30, 2016.

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization, however, is subject to income taxes on any net unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2015. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Donated Assets

Donated marketable securities are liquidated as soon as possible and recorded at the liquidated value.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided program or fundraising services throughout the year that were not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE B. PLEDGES RECEIVABLE, net

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

At June 30, 2016, pledges receivable consists of the following:

Unrestricted pledges	\$	34,000
Temporarily restricted pledges		<u>219,997</u>
Pledges receivable	\$	<u>253,997</u>
Amounts due in:		
Less than one year	\$	206,500
One to five years		<u>47,497</u>
Pledges receivable		253,997
Less: discount to net present value		<u>(6,000)</u>
Pledges receivable, net	\$	<u>247,997</u>

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. State, City and other government grants of approximately \$287,500 for the restoration project have not been recognized as of June 30, 2016, as the conditions on which they depend have not yet been met.

NOTE C. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets consists of the following:

Maintenance	\$	30,886
Capital improvements		<u>626,135</u>
Temporarily restricted net assets	\$	<u>657,021</u>

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE D. DONATED SERVICES

At June 30, 2016, donated services included in contributions is \$91,200.

NOTE E. EXPENSES BY FUNCTIONAL CLASSIFICATION

At June 30, 2016, the expenses by functional classification consists of the following:

Program services	
Consulting	\$ 12,135
Design, engineering, and construction	454,194
Events	35,239
Grounds maintenance	135,590
Payroll	173,521
Website	8,025
	<hr/>
Total program expenses	818,704
Supporting services	
Management and general	74,444
	<hr/>
Total expenses	\$ 893,148

NOTE F. CONCENTRATIONS

The Organization received approximately 65% of its revenue from state and city government agencies for the year ended June 30, 2016.

NOTE G. PRIOR PERIOD ADJUSTMENTS

The statement of activities has been restated to correct for two errors: the overstatement of pledges receivable of \$50,000, resulting in an overstatement of net assets, and the miscalculation of net assets released from restrictions of \$151,145 in previous years. In previous years, payments on pledges were erroneously recognized as current year income as opposed to a reduction of pledges receivable. Net assets released from restrictions in the prior year were erroneously calculated, resulting in an understatement of temporarily restricted net assets.

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE G. PRIOR PERIOD ADJUSTMENTS (continued)

These corrections resulted in the following restatement in the statement of financial position for June 30, 2015:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
At June 30, 2015 as previously stated	\$ 409,513	\$ 285,852	\$ 695,365
Correction of pledges receivable	-	(50,000)	(50,000)
Correction of release from restrictions	<u>(151,145)</u>	<u>151,145</u>	<u>-</u>
At June 30, 2015 as restated	<u>\$ 258,368</u>	<u>\$ 386,997</u>	<u>\$ 645,365</u>

NOTE H. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions subsequent to June 30, 2016 through March 17, 2017, the date these financial statements were available to be issued. As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.