

**MOUNT VERNON PLACE
CONSERVANCY, INC.**

FINANCIAL STATEMENTS

June 30, 2019

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, 2019, 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.

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, 2019, 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.

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

Timonium, Maryland
March 12, 2020

MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 308,988
Restricted cash	42,332
Pledges receivable, net	<u>14,800</u>
Total assets	\$ <u>366,120</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 34,167</u>
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Net assets

Without donor restriction	274,821
With donor restriction	<u>57,132</u>

Total net assets	<u>331,953</u>
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Total liabilities and net assets	\$ <u>366,120</u>
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MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Revenue and other support			
Contributions	\$ 307,337	\$ -	\$ 307,337
Grants	85,651	-	85,651
Events	70,583	-	70,583
Flower mart	80,741	-	80,741
Net assets released from restrictions	458,325	(458,325)	-
Total revenues and other support	<u>1,002,637</u>	<u>(458,325)</u>	<u>544,312</u>
Functional expenses			
Program services	606,209	-	606,209
Management and general	166,200	-	166,200
Total expenses	<u>772,409</u>	<u>-</u>	<u>772,409</u>
Change in net assets	230,228	(458,325)	(228,097)
Net assets - beginning of year	<u>44,593</u>	<u>515,457</u>	<u>560,050</u>
Net assets - end of year	<u>\$ 274,821</u>	<u>\$ 57,132</u>	<u>\$ 331,953</u>

MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Bank charges	\$ -	\$ 1,669	\$ 1,669
Design, engineering, and construction	159,094	-	159,094
Flower mart	91,224	-	91,224
Grounds maintenance	126,130	-	126,130
Insurance	-	4,213	4,213
Marketing	4,238	-	4,238
Membership and development	32,491	-	32,491
Office expense	-	4,502	4,502
Operations	28,033	-	28,033
Park programming	19,163	-	19,163
Professional fees	-	70,932	70,932
Rent	-	3,086	3,086
Salaries - officer	-	80,000	80,000
Salaries - other	143,816	-	143,816
Utilities	-	1,798	1,798
Website	2,020	-	2,020
Total expenses	\$ 606,209	\$ 166,200	\$ 772,409

MOUNT VERNON PLACE CONSERVANCY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:

Change in net assets	\$ (228,097)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
(Decrease) in pledges receivable discount	(200)
Decrease in assets:	
Grants receivable	4,850
Increase in liabilities:	
Accounts payable and accrued expenses	<u>3,739</u>
Net cash (used) by operating activities	(219,708)
Cash and cash equivalents and restricted cash - beginning of year	<u>571,028</u>
Cash and cash equivalents and restricted cash - end of the year	<u>\$ 351,320</u>

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expanded for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

For the year ended June 30, 2019, there were \$57,132 of net assets with donor restrictions.

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents and Restricted Cash

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.

Amounts included in restricted cash represent amounts required to be set aside for restricted purposes that are imposed by donors.

Cash and cash equivalents and restricted cash consisted of the following as of June 30, 2019:

Cash and cash equivalents	\$	308,988
Restricted cash		<u>42,332</u>
Total cash and cash equivalents and restricted cash shown in the statement of cash flows	\$	<u>351,320</u>

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.

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, 2019.

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, 2019. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, general and administrative, and fundraising. Such allocations are determined by management on an equitable basis. There were no fundraising expenses during the year ended June 30, 2019.

The financial statements report certain categories of expenses that may be attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, which are allocated on the basis of estimates of individual staff's time and effort.

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, 2019

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Mount Vernon Place Conservancy, Inc. has adopted this update for its year ending June 30, 2019, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

New Accounting Pronouncements (continued)

In May 2014, and in subsequent updates, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific requirements. Topic 606 establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. Topic 606 also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. This standard is effective for the Organization for annual periods beginning after December 15, 2018. As such, the Organization will be required to adopt this standard for the year ending June 30, 2020. The adoption of these ASUs is not expected to have a material impact on the Organization's financial position, results of operations or cash flows or its business processes, systems and controls.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires a lessee to recognize assets and liabilities on the statement of financial position for those leases classified as operating leases under previous guidance. Assets previously recorded as capital leases will be recorded as finance leases. This standard is effective for the Organization for annual periods beginning after December 15, 2020. As such, the Organization will be required to adopt this standard for the year ending June 30, 2022. This standard requires adoption based upon a modified retrospective transition approach, with early adoption permitted. Based on a preliminary assessment, the Organization expects that most of its operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in a significant increase in the assets and liabilities on the statement of financial position. The Organization is evaluating the new guidance and plans to provide additional information about its expected financial impact at a future date.

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE B. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019

Financial assets at year end	
Cash and cash equivalents	\$ 308,988
Restricted cash	42,332
Pledges receivable, net	<u>14,800</u>
Total financial assets	<u>366,120</u>
Less amounts not available to be used within one year:	42,332
Restricted cash	<u>14,800</u>
Pledges receivable, net	<u>57,132</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 308,988</u>

The Organization is funded by current operations and charitable donations. Since the original monument renovations were completed, daily operations, park programming, and maintenance are the first priority for cash requirements. Any further renovations to the park squares are a second priority and will only commence when donated funds are available. Certain cash assets are temporarily restricted for the next phase of renovations.

NOTE C. 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 net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions.

At June 30, 2019, pledges receivable consists of the following:

Pledges receivable with donor restriction	\$ 15,000
Less: discount to net present value	<u>(200)</u>
Pledges receivable, net	<u>\$ 14,800</u>

Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

MOUNT VERNON PLACE CONSERVANCY, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE D. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, net assets with donor restriction consists of the following:

Capital improvements	\$ <u>57,132</u>
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NOTE E. DONATED SERVICES

At June 30, 2019, donated services included in contributions is \$141,890.

NOTE G. COMMITMENTS AND CONTINGENCIES

The Organization leases its office in Baltimore, Maryland. The lease commenced in September 2016, and renews annually, unless terminated by either party. Monthly rent expense is \$266 and increases by three percent annually, if renewed. Rent expense totaled \$3,086 for the year ended June 30, 2019.

Minimum annual rental payments are as follows:

June 30, 2020	\$ 3,474
2021	<u>582</u>
	<u>\$ 4,056</u>

NOTE H. BUSINESS CONCENTRATIONS

The Organization received approximately 18% of its revenue from state and city government agencies for the year ended June 30, 2019.

NOTE I. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions subsequent to June 30, 2019 through DATE, 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.