

**MONTGOMERY COUNTY PARKS
FOUNDATION, INC.**

Financial Statements

For the Thirteen Months Ended January 31, 2009



**and
Report Thereon**





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INDEPENDENT AUDITOR'S REPORT

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

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of the Montgomery County Parks Foundation, Inc. (the Foundation) as of January 31, 2009, and the related statements of activities, functional expenses and cash flows for the thirteen months then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 the 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 the Montgomery County Parks Foundation, Inc. as of January 31, 2009, and the changes in its net assets and its cash flows for the thirteen months then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8 to the financial statements, the Foundation restated its net assets as of December 31, 2007 to properly record revenue received in the prior year.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
August 19, 2009

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

January 31, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 35,264
Accounts receivable	258
Prepaid expenses	2,007
Property and equipment, net	41,031
Investments	110,529

TOTAL ASSETS \$ 189,089

LIABILITIES AND NET ASSETS

Current Liabilities

Capital lease payable	<u>12,098</u>
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TOTAL LIABILITIES \$ 12,098

Net Assets

Unrestricted	21,904
Temporarily restricted	<u>155,087</u>

TOTAL NET ASSETS 176,991

TOTAL LIABILITIES AND NET ASSETS \$ 189,089

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Thirteen Months Ended January 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 654	\$ 33,400	\$ 34,054
Investment income (loss)	(82,604)	-	(82,604)
Loss on return of funds	-	(250,000)	(250,000)
Event participation fees, net of \$11,656 in costs	3,846	-	3,846
Net assets released from restrictions:			
Satisfaction of purpose restrictions	292,205	(292,205)	-
TOTAL REVENUE AND SUPPORT	<u>214,101</u>	<u>(508,805)</u>	<u>(294,704)</u>
EXPENSES			
Program Services	707,023	-	707,023
Supporting Services			
Management and general	74,107	-	74,107
Development and fundraising	23,928	-	23,928
Total Supporting Services	<u>98,035</u>	<u>-</u>	<u>98,035</u>
TOTAL EXPENSES	<u>805,058</u>	<u>-</u>	<u>805,058</u>
Change in Net Assets	(590,957)	(508,805)	(1,099,762)
NET ASSETS, BEGINNING OF YEAR, as restated	<u>612,861</u>	<u>663,892</u>	<u>1,276,753</u>
NET ASSETS, END OF YEAR	<u>\$ 21,904</u>	<u>\$ 155,087</u>	<u>\$ 176,991</u>

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Thirteen Months Ended January 31, 2009

Program Services

	Woodstock Equestrian Park	Friends of Recreation	Linda Wiener Memorial	Other Programs	Park Police Equestrian Center	Total Programs	Management and General	Fundraising	Total
Salaries	\$ 162,635	\$ 32,685	\$ 3,739	\$ 3,782	\$ 348	\$ 203,189	\$ 44,860	\$ 15,833	\$ 263,882
Grant expense	250,800	-	-	-	-	250,800	-	-	250,800
Other direct program expenses	71,027	65,569	7,500	4,361	698	149,155	6,315	-	155,470
Professional fees	22,926	4,682	536	311	47	28,502	6,293	2,221	37,016
Travel	8,163	1,641	188	190	17	10,199	2,252	795	13,246
Payroll taxes	8,076	1,623	186	188	17	10,090	2,228	786	13,104
Education and training	7,311	1,469	168	170	16	9,134	2,017	712	11,863
Employee benefits	7,241	1,455	166	168	15	9,045	1,997	705	11,747
Insurance	4,891	983	112	114	10	6,110	1,349	476	7,935
Office supplies	3,982	800	92	93	9	4,976	1,098	388	6,462
Telephone	3,828	769	88	89	8	4,782	1,056	373	6,211
Depreciation	3,394	682	78	79	7	4,240	936	330	5,506
Special events	3,159	635	73	73	7	3,947	871	308	5,126
Bank charges and broker fees	2,978	598	68	69	6	3,719	821	290	4,830
Miscellaneous	2,432	489	56	57	16	3,050	671	237	3,958
Outside consulting	1,757	353	40	41	4	2,195	485	171	2,851
Dues and subscriptions	1,698	341	39	39	4	2,121	468	165	2,754
Repairs and maintenance	980	197	23	23	2	1,225	270	95	1,590
Postage and shipping	346	69	8	8	1	432	95	34	561
Trustee meeting	90	18	2	2	-	112	25	9	146
TOTAL EXPENSES	\$ 567,714	\$ 115,058	\$ 13,162	\$ 9,857	\$ 1,232	\$ 707,023	\$ 74,107	\$ 23,928	\$ 805,058

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Thirteen Months Ended January 31, 2009

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,099,762)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	5,506
Unrealized losses	148,828
Changes in assets and liabilities	
Accounts receivable	14,544
Other receivables	8,444
Accrued expenses	(11,540)
Accounts payable	(12,942)
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NET CASH USED IN OPERATING ACTIVITIES	(946,922)
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CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	866,489
Purchase of investments	(42,064)
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NET CASH PROVIDED BY INVESTING ACTIVITIES	824,425
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CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease	(3,404)
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(125,901)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	161,165
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 35,264
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The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS **For the Thirteen Months Ended January 31, 2009**

1. Organization and Summary of Significant Accounting Policies

Organization

Montgomery County Parks Foundation, Inc. is a non-profit 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 Park and Planning to meet these parks and open space needs.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with initial maturities of three months or less.

Accounts Receivable

The Foundation uses the allowance method to record potentially uncollectible accounts receivable. The allowance is based upon management's analysis and prior experience. As of January 31, 2009, management has determined that no allowance is necessary.

Investments

The Foundation's investments are comprised of corporate and foreign bonds, common equity securities, and equity mutual funds, all classified as trading securities, which are carried at fair value based on the quoted market prices. Accordingly, net realized and unrealized gains and losses on trading securities are included as increases or decreases in net assets.

Property and Equipment and Related Depreciation

Property and equipment are recorded at cost. Depreciation on furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 7 years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation and any gain or loss is reflected in income or expense in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS **For the Thirteen Months Ended January 31, 2009**

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The net assets of the Foundation are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Foundation's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

Revenue Recognition

Grants and 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 support. 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 accompanying statement of activities as net assets released from restrictions.

Donated Services

In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value as provided by the donor, at the date of receipt. In-kind contributions consist of contributed services and facilities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct labor costs and management's best estimate.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Thirteen Months Ended January 31, 2009

2. Investments

Investments as of January 31, 2009 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Corporate and foreign bonds	\$ 39,243	\$ 42,903
Common equity securities	75,128	56,161
Equity mutual funds	<u>20,455</u>	<u>11,465</u>
Total	<u>\$ 134,826</u>	<u>\$ 110,529</u>

A summary of investment income for the year ended January 31, 2009 is as follows:

Interest and dividends	\$ 66,224
Unrealized losses	<u>(148,828)</u>
Total	<u>\$ (82,604)</u>

3. Property and Equipment and Accumulated Depreciation and Amortization

The Foundation held the following fixed assets as of January 31, 2009:

Land	\$ 25,000
Furniture and equipment	<u>35,193</u>
Total property and equipment	60,193
Less: accumulated depreciation and amortization	<u>(19,162)</u>
Property and equipment, net	<u>\$ 41,031</u>

4. Capital Leases

The Foundation leases a copier, which has been capitalized and included in property and equipment. The copier costs \$15,500 and has accumulated depreciation of \$3,405 as of January 31, 2009.

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Thirteen Months Ended January 31, 2009

4. Capital Leases (continued)

As of January 31, 2009 the future minimum lease payments, subject to cost-of-living adjustments, are as follows:

For the Year Ending December 31,	
2009	\$ 3,234
2010	3,528
2011	3,528
2012	<u>3,149</u>
Subtotal	13,439
Less: interest	<u>(1,344)</u>
Present value of future minimum lease payments	<u>\$ 12,095</u>

5. Fair Value Measurements

Effective January 1, 2008 the Foundation adopted SFAS No. 157, *Fair Value Measurements*, for financial assets (and liabilities) measured on a recurring basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under SFAS No. 157 are described as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

Continued

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Thirteen Months Ended January 31, 2009

4. Fair Value Measurements (continued)

The following table summarizes the Foundation's assets and liabilities measured at fair value on a recurring basis as of January 31, 2009:

	Quoted Prices in Active Markets for Identical Assets/ Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Assets:			
Trading securities	\$ 110,529	\$ -	\$ -

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at January 31, 2009 are comprised of:

Friends of Recreation (FOR)	\$ 94,255
Fountain Hills Park	9,370
Woodacres Park	6,184
Rickman Farm Horse Park	4,431
Native American Indian Fund	5,050
Park Police Friends	4,225
Betsy Dotson Davis Memorial	3,725
Other	4,621
King Barn Dairy Mooseum	3,600
Heart Smart Trail	2,472
Jeff Gardner Memorial Fund	2,650
Friends of Norwood Park	2,346
Hillmead Park	2,090
Kenwood Playground	2,000
Locust Grove Friends	1,769
Maiden Lane Park	1,565
Brookside Friends	1,467
Susan Fleig Memorial Fund	1,215
Goshen Elm Maintenance Fund	1,035
Forest Glen-Dallas Avenue	<u>1,017</u>
Total	<u>\$ 155,087</u>

Continued

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS For the Thirteen Months Ended January 31, 2009

6. Pension Plan

The Foundation has a contributory, defined contribution pension plan, which operates under Section 403(b) of the Internal Revenue Code, covering all employees who have completed one year of service and credited with at least 1,000 hours of service. Employee contributions to the plan are voluntary and cannot exceed the amount permitted under Section 415 of the IRS Code. The Foundation contributes up to 3% of eligible employees' gross compensation. Total pension expense for the thirteen months ended January 31, 2009 was \$5,946, and is included in employee benefits expense in the accompanying statement of functional expenses.

7. Tax Status

Under section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from federal taxes on income other than net unrelated business income. For the thirteen months ended January 31, 2009, no provision for income taxes was required, as the Foundation had no net unrelated business income.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which is an interpretation of SFAS No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current year. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Any cumulative effect from the change in accounting principle resulting from the application of FIN 48 is to be recognized as an adjustment to opening net assets.

In December 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No.48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FIN 48, to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of FIN 48 for the year ending December 31, 2008. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management

MONTGOMERY COUNTY PARKS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Thirteen Months Ended January 31, 2009

7. Tax Status (continued)

judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

8. Prior Period Adjustment

During the thirteen months January 31, 2009, it was determined that 2007 revenue was not recorded during the year ended December 31, 2007. As a result, revenue was understated and accounts payable was overstated by \$250,000. Accordingly, contributions have been increased and accounts payables have been decreased by \$250,000 as of December 31, 2007. Temporarily restricted net assets as of December 31, 2007 have also been increased by \$250,000 as a result of the restatement.