



MONTGOMERY VILLAGE FOUNDATION, INC.

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August 9, 2019

MEMORANDUM

TO: MVF Audit Committee

FROM: Daniel Salazar, Chief Financial Officer

SUBJECT: AUDIT COMMITTEE MEETING

The next regular meeting of the Audit Committee will be held at 7 p. m. on Tuesday, August 13, 2019 in the North Creek Community Center board room.

PLEASE REMEMBER TO BRING YOUR BUDGET BOOKS!!!

If you are unable to attend the Audit Committee meeting, please e-mail Juana Hernandez at jhernandez@mvf.org or call 240-243-2315.

DS/jh

**MONTGOMERY VILLAGE FOUNDATION, INC.
AUDIT COMMITTEE**

Tuesday, August 13, 2019

7:00 P.M.

North Creek Board Room

AGENDA

1. Residents' Time
2. Call to Order
3. Review and Approve Minutes from the March 5, 2019 meeting (enclosure)
4. Review and Discuss 2020 MVF Draft Budget
5. Other Business
6. Adjournment

2019 Meetings

- Tuesday August 13th (budget work session)
- Tuesday October 1st (TBD)

MINUTES OF MEETING
MONTGOMERY VILLAGE FOUNDATION
Audit Committee

March 5, 2019

A regular meeting of the Montgomery Village Foundation Audit Committee was held at 7:00 p.m. on Tuesday, March 5, 2019 at the North Creek Community Center, Montgomery Village, Maryland.

Audit Committee Members Present

Pat Seery, Chairperson
 Keith Silliman, Vice Chair
 Ellen Gaston
 Frank Mondell
 Barbara St. John
 Brenda Yombo

Members Absent

Bob Carey, Treasurer
 Peter Webb, Board Liaison

Others Present

Michele Mills, DeLeon & Stang
 Addie Blickenstaff, DeLeon & Stang
 Daniel Salazar, MVF Chief Financial Officer
 Mirna Rivas, Senior Accountant
 Jennifer Thornett, Recording Secretary

1. Residents' Time

There were no residents present.

2. Chairman's Remarks

Mr. Seery called the meeting to order at 7:00 p.m.

3. Review and approve minutes from the November 5, 2018 meeting

Mr. Silliman moved to approve the minutes of the November 5, 2018 meeting as presented. The motion was seconded and passed unanimously.

4. Presentation of 2018 MVF Draft Financials & related reports

Ms. Mills presented an overview of the 2018 audit report; it is attached for the record. She noted the presentation will introduce changes in the non-profit sector. Ms. Mills noted an unmodified opinion on the financial statements is planned, meaning it was a clean audit. She reported the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Ms. Mills noted the ASU was applied retrospectively to all periods presented except for certain information permitted by the ASU. She explained ASU No. 2016-14 changed the terminology used to describe categories of net assets; the new categories are Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. Ms. Mills reported ASU No. 2016-14 required expenses be classified by both natural and functional classification. She noted the Foundation now reports a Statement of Functional Expenses, which breaks down the total expenses into program services and supporting services. Ms. Mills added ASU No. 2016-14 requires new disclosures regarding the liquidity and availability of resources.

Ms. Blickenstaff reported total assets equaled \$17,467,578, which is an increase of 4.2% over 2017. She provided a breakdown by asset category. Ms. Mills reported total liabilities equaled \$1,264,778, which is an increase of 15.4% over 2017. Ms. Blickenstaff added total net assets equaled \$16,202,800, which is an increase of 3.4% over 2017. She noted total revenues equaled \$8,716,622, which is an increase of 3.5% over 2017; assessments comprise 72.6% of total revenues. Ms. Blickenstaff reported total expenses equaled \$7,866,870, which is an increase of 2.8% over 2017; personnel and benefits comprise 61.8% of total expenses.

Ms. Mills reviewed the Statement of Functional Expenses, the new report required by ASU No. 2016-14. She explained the report breaks down expenses by program activities and management/general.

Ms. Mills reported the change in net assets without donor restrictions equaled \$535,869, which includes a loss of \$314,478 on investments. She added overall there was an increase in net assets of \$535,274. Ms. Mills reviewed the total cash flows for the year.

Ms. Blickenstaff reviewed the highlights for 2018 including, the capital contribution fees increased 65% over 2017 due to the sale of Cider Mills Apartment Complex; investments decreased \$401,381 or -6.4% over 2017; and, assessments receivable decreased 6.2% over 2017.

She added the reserve investment portfolio ended the year slightly ahead of the benchmark. Ms. Mills reported the allowance for uncollectible accounts increased 8% over 2017 to keep the allowance within the historical rate of 30% of the outstanding assessments. She added MVF recorded \$60,000 in bad debt expense for 2018.

Ms. Mills summarized the auditor's results and indicated no material weaknesses in internal controls over financial reporting were identified. Ms. Blickenstaff concluded by noting the Foundation adopted ASU No. 2016-14; no transactions were entered into by the Foundation which lacked authoritative guidance or consensus; the auditors encountered no difficulties in dealing with management in performing and completing the audit; no material journal entries were identified in the course of the audit testing; and, no disagreements with management arose during the audit.

Ms. Mills complimented Mr. Salazar and his staff for delivering as promised. She noted the schedules were ready when they arrived and the audit went smoothly.

Ms. St. John proposed an amendment to Note 1 of the audit; it is attached for the record. She explained the MVF fund includes all residents and the DU fund does not include condominium associations and noted the financials should reflect the difference. Mr. Salazar explained the note gives the layout of the financials to show how each fund is structured. Mr. Seery asked if it is the appropriate place for the change and suggested they include information in the Village News to educate residents on the difference in the funds. He noted the task before them is to recommend approval of the audit and noted they can include further discussion of Note 1 as a future agenda item. Mr. Mondell suggested the Board Liaison discuss with the Board the appropriate place to explain the structure to non-financial individuals. Ms. St. John suggested they show assessments by MVF and DU on the Statement of Activities and Changes in Net Assets and show the parks/recreation & maintenance by MVF and DU on the Statement of Functional Expenses. Ms. Mills explained the spirit of the accounting standard is to represent the assessments by function and classification, not by fund. Mr. Salazar also added there are three categories of assessment revenues, MVF, DU and Poplar Spring.

Ms. St. John moved to amend the Statement of Activities and Changes in Net Assets to show assessments by MVF, DU and Poplar Spring funds and to amend the Statement of Functional

Expenses to break out Parks/Recreation & Maintenance by MVF, DU and Poplar Spring funds. The motion was seconded and passed (3-2); Mr. Mondell and Mr. Silliman were opposed.

Mr. Silliman noted the total shown on the slides for the CDs does not equal the total shown for the CDs with the Bank of Charles Town on the financial statements. Mr. Salazar reported there are CDs in the investment portfolio with Wilmington Trust that are separate from the Money Market & Savings accounts with the Bank of Charles Town. Mr. Silliman noted the totals exceed FDIC limits. Mr. Salazar noted the funds are in an insured cash sweep, which means they are held in various banks all below the \$250k FDIC limit and are reported as a group by the Bank of Charles Town.

Ms. St. John suggested Note 12 be broken out by MVF and DU funds. Ms. Blickenstaff explained the note was modeled the same as last year.

a. Recommendation to MVF Board

Mr. Silliman moved to recommend to the MVF Board of Directors to accept the 2018 Audit Report and accompanying Financial Statements, as amended. The motion was seconded and passed unanimously.

5. Other Business

Mr. Seery suggested the agenda include the meeting schedule for the rest of the year. Mr. Salazar noted the next meeting will be at the beginning of August to review the 2020 budget.

6. Recommendation to the MVF Board for the Audit Committee Chair for 2019

Mr. Silliman moved to recommend to the MVF Board of Directors to appoint Mr. Seery as the Audit Committee Chair for 2019. The motion was seconded and passed unanimously.

Ms. Gaston moved to recommend to the MVF Board of Directors to appoint Mr. Silliman as the Audit Committee Vice Chair for 2019. The motion was seconded and passed unanimously.

7. Adjournment

Mr. Silliman moved to adjourn the meeting at 8:16 p.m. The motion was seconded and passed unanimously.

There being no further business, the meeting was adjourned at 8:16 p.m. The report, authorizations and other documents presented at the meeting have been initialed for identification and attached hereto or filed in the offices at the Montgomery Village Foundation.

_____/s/____

Jennifer Thornett
Recording Secretary

**Motion List
Audit Committee
March 5, 2019**

- 1. Mr. Silliman moved to approve the minutes of the November 5, 2018 meeting as presented. The motion was seconded and passed unanimously.**
- 2. Ms. St. John moved to amend the Statement of Activities and Changes in Net Assets to show assessments by MVF, DU and Poplar Spring funds and to amend the Statement of Functional Expenses to break out Parks/Recreation & Maintenance by MVF, DU and Poplar Spring funds. The motion was seconded and passed (3-2); Mr. Mondell and Mr. Silliman were opposed.**
- 3. Mr. Silliman moved to recommend to the MVF Board of Directors to accept the 2018 Audit Report and accompanying Financial Statements, as amended. The motion was seconded and passed unanimously.**
- 4. Mr. Silliman moved to recommend to the MVF Board of Directors to appoint Mr. Seery as the Audit Committee Chair for 2019. The motion was seconded and passed unanimously.**
- 5. Ms. Gaston moved to recommend to the MVF Board of Directors to appoint Mr. Silliman as the Audit Committee Vice Chair for 2019. The motion was seconded and passed unanimously.**
- 6. Mr. Silliman moved to adjourn the meeting at 8:16 p.m. The motion was seconded and passed unanimously.**