



# MONTGOMERY VILLAGE FOUNDATION, INC.

10120 APPLE RIDGE ROAD  
MONTGOMERY VILLAGE, MARYLAND 20886-1000

(301) 948-0110 FAX (301) 990-7071 [www.montgomeryvillage.com](http://www.montgomeryvillage.com)

March 1, 2019

## MEMORANDUM

TO: MVF Audit Committee

FROM: Dave Humpton, Executive Vice President

SUBJECT: AUDIT COMMITTEE MEETING

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The next regular meeting of the Audit Committee will be held at 7 p. m. on Tuesday, March 5, 2019 in the North Creek Community Center board room.

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

DH/jh

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Audit Committee Meeting Agenda**  
**March 5, 2019**  
**\*\*North Creek CC Board Room\*\***  
**7:00 PM**

Open Session

1. Residents' Time
2. Chairman's Remarks
3. Review and approve minutes from the November 5, 2018 meeting (enclosure)
4. Presentation of 2018 MVF Draft Financials & related reports – Michele Mills, DeLeon & Stang
  - a. Recommendation to MVF board to accept the 2018 Audit Report and accompanying Financial Statements
5. Other business
6. Recommendation to the MVF board for the Audit Committee Chair for 2019.

**MINUTES OF MEETING**  
**MONTGOMERY VILLAGE FOUNDATION**  
**Audit Committee**

November 5, 2018

A regular meeting of the Montgomery Village Foundation Audit Committee was held at 7:00 p.m. on Tuesday, November 5, 2018 at the North Creek Community Center, Montgomery Village, Maryland.

**Audit Committee Members Present**

Pat Seery, Chairperson  
 Keith Silliman, Vice Chair  
 Bob Carey, Treasurer  
 Ellen Gaston  
 Frank Mondell  
 Brenda Yombo (Arrived at 7:22 p.m.)  
 Peter Webb, Board Liaison

**Members Absent**

Barbara St. John

**Others Present**

Michele Mills, DeLeon & Stang  
 Tim Connole, DeLeon & Stang  
 Dave Humpton, MVF Executive Vice President  
 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 August 23, 2018 meeting**

Mr. Mondell requested they strike the final paragraph with his comments.

**Mr. Carey moved to approve the minutes of the August 23, 2018 Joint Audit Committee/MVF Board meeting as amended. The motion was seconded and passed unanimously.**

#### **4. Presentation of 2017 MVF Draft Retirement Plan Financials**

Mr. Humpton shared an overview of the roles and responsibilities of the service providers for the retirement plan and a summary of plan accomplishments from January 2010 through May 2018; the report is attached for the record. He noted the report was prepared by the Independent Fiduciary Advisor and was also shared with the Personnel Committee.

Ms. Mills presented the draft audit of the 2017 MVF Retirement Plan Financials. She noted the retirement plan is not required to be audited unless plan participation is 100 employees or more; MVF currently has 52 participants. Ms. Mills added it is a limited scope audit and transactions highlighted in Note 4 were exempt because the information was certified by Fidelity Investments, the plan administrator. She explained they were not obligated to provide an express opinion on the financial statements as it was a limited scope audit, which is allowed under Department of Labor (DOL) rules.

Mr. Connole reviewed the financial statements and noted net appreciation in fair value of investments is consistent with market increases in 2017. He discussed the notes to the financial statements. Mr. Connole reported contributions for the calendar year are limited to the lesser of 100% of an employee's pre-tax annual compensation or \$18,000. He added MVF matched participants' elective deferrals up to 6% of gross pay. Mr. Seery asked what percentage of participants are fully vested. Mr. Humpton noted he did not the exact amount and added they have about a 98% participation rate.

Mr. Connole discussed the basis of accounting and noted a new accounting standard was implemented for fair value measurement. He explained the three levels of fair value hierarchy and the valuation methods for investments measured at fair value.

Ms. Yombo arrived at 7:22 p.m.

Mr. Connole reported the unaudited information certified by Fidelity Investments includes total investments and notes receivable from participants of \$7,685,031 and related net investment income of \$931,180 for the year ended December 31, 2017.

Mr. Silliman suggested they include an explanation of standards referred to in Note 3 and Note 7. Ms. Mills explained ASC 820 in Note 3 refers to an Accounting Standard Codification and 5500 in Note 7 refers to the IRS Form for the tax return. She added she will include clarifying information in both sections.

Ms. Mills reviewed the letter to management and the Board of Directors. She reported they encountered no significant difficulties in performing or completing the audit and there were no disagreements with management. Ms. Mills added they offered two recommendations; the first recommendation is management maintain complete personnel files which include signed documentation for the employee's most recent salary and employee deferral percentages and the second is management maintain a consistent deposit date of 3-5 days after the payroll check date for the contributions to be remitted to the plan. Mr. Salazar reported they created a form indicating deferral percentages that will be kept in each personnel file. Mr. Carey noted it may be difficult to maintain a paper trail if participants change their deferral percentage frequently. He added he receives a weekly report from the plan administrator for his company that lists the changes to the deferral percentages. Mr. Humpton noted he will review the recommendation with the plan advisor and added he appreciates the input from the auditors. He added he takes very seriously the recommendation to maintain a consistent deposit date for plan contributions because it was an issue when he took the job 10 years ago. Ms. Mills explained DOL allows 15 days for the funds to be deposited. She added MVF normally deposits the funds within 3-5 days and the one payroll period with a 12-day lag appears to be an isolated incident. Mr. Salazar commented to the committee that they are currently working to improve the procedures and controls related to the contribution upload to Fidelity to make sure the deposits continue to be made in a timely manner.

Ms. Mills noted once the audit is approved, a signed and dated copy will be provided to Mr. Humpton and Mr. Salazar for signature.

**Mr. Silliman moved to accept the audit of the 2017 MVF Retirement Plan Financials with minor amendments as noted. The motion was seconded and passed unanimously.**

## **5. Adjournment**

**Mr. Silliman moved to adjourn the meeting at 7:47 p.m. The motion was seconded and passed unanimously.**

There being no further business, the meeting was adjourned at 7:47 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  
November 5, 2018**

- 1. Mr. Carey moved to approve the minutes of the August 23, 2018 Joint Audit Committee/MVF Board meeting as amended. The motion was seconded and passed unanimously.**
- 2. Mr. Silliman moved to accept the audit of the 2017 MVF Retirement Plan Financials with minor amendments as noted. The motion was seconded and passed unanimously.**
- 3. Mr. Silliman moved to adjourn the meeting at 7:47 p.m. The motion was seconded and passed unanimously.**



**Montgomery Village Foundation, Inc.**

**Financial Statements, Supplementary Information, and  
Independent Auditors' Report**

**For the Years Ended December 31, 2018 and 2017**





**Montgomery Village Foundation, Inc.**  
**For the Years Ended December 31, 2018 and 2017**

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# MONTGOMERY VILLAGE FOUNDATION, INC

10120 APPLE RIDGE ROAD  
MONTGOMERY VILLAGE, MARYLAND 20886-1000

(301) 948-0110 FAX (301) 990-7071 www.mvf.org

**March 1, 2019**

## **To the Board of Directors and Residents of Montgomery Village, Maryland**

As management of the Montgomery Village Foundation, Inc. ("MVF"), we offer readers of the Foundation's financial statements this summary and analysis of the financial activities of the Montgomery Village Foundation, Inc. for the year ended December 31, 2018. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Vice President, Montgomery Village Foundation, Inc., 10120 Apple Ridge Road, Montgomery Village, MD 20886.

### **Financial Summary & Highlights**

- Total net assets were \$16,202,800 as of December 31, 2018, an increase of \$535,274 over December 31, 2017. Since 2010, net assets have increased a total of \$8,822,999 as a result of many cost saving and organizational initiatives which has helped to fund significant infrastructure improvements including 2 pools, South Valley Park buildings & field and various tot-lots including our Apple Ridge all-abilities playground. (page 9)
- The change in the Total MVF Fund net assets (i.e. net income) for 2018 was an increase of \$535,274 compared to an increase in 2017 of \$1,014,686. Additionally, Operating Fund net assets were \$1,621,913, a decrease of \$54,304 vs. an increase of \$6,568 in 2017. The MVF/UF Fund used only \$115,424 of the total budgeted use of undesignated reserves of \$448,846; exceeding the expectations by \$333,421. (page 10, 32)
- As of December 31, 2018, the Foundation reported net assets without donor restrictions of \$10,072,759 (Operating Fund \$1,609,333 and Fixed Asset Fund \$8,463,426). Within the net assets without donor restrictions are Board designated net assets of \$5,618,785 for reserve replacements and \$498,646 for Capital Contribution Fee projects. Net assets with donor restrictions are \$12,580 as of year-end. (page 30)
- The Foundation's cash and cash equivalents as of December 31, 2018 were \$2,379,019 and investments \$5,870,386. (page 9)
- The Foundation's assessments receivable decreased \$55,102 in 2018 and now stands at a net realizable value of \$464,316 vs. \$519,418 in 2017. Included in this amount is a \$174,412 allowance for doubtful accounts. The delinquency rate continues to show improvement with 2018 ended at 7.3% versus last year's 7.5%. (page 22, note 6)
- During 2018, MVF's reserve investment portfolio fell short of expectations by losing 2.8% vs. 2017's 5.9% performance increase (both net of advisory fees). MVF's annual reserve plan projected 3.5% and the benchmark expectation loss of 3.1%. Equity securities were the most heavily impacted with an average loss of 9.4% and a benchmark loss of 9.1% (17.7% increase in 2017), with an allocation of 29% of the \$5.8M portfolio. (page 34)

- Capital Contribution fees received through December 31, 2018 were \$315,169 as compared to \$191,089 in 2017. The 124,080 increase is primarily due to the sale of the Cider Mill Apartment complex which contributed \$143,075. The amount greatly exceeded the \$145,000 budget expectation. (page 10)
- The 2018 contribution to reserves was \$1,250,918. This reflects the contribution necessary to maintain the Reserve Fund pursuant with the MVF Board's decision to fund the Reserve at 75% of the projected replacement cost per the 2014 reserve study. (page 27, note 12)
- Capital expenditures for the year ended 2018 totaled \$720,694 vs. \$1,726,883 in 2017 and a 2018 budget of \$1,188,840. 2018 actual capital expenses included (page 31):

	MVF	DU	TOTAL
○ Computer/IT, phone, office equipment	49,391	- 0-	\$49,391
○ Asphalt Repairs	45,867	19,359	\$65,226
○ Totlots (WS, AR, SW)	553	317,755	\$318,308
○ SVP Field Restoration	163,658	-0-	\$163,658
○ LED Lighting Upgrades	-0-	12,706	\$12,706
○ Community Center replacements	- 0-	83,332	\$83,332
○ Other (LM Shoreline & new HVAC)	22,877	5,195	\$28,072
	<b>\$282,346</b>	<b>\$438,348</b>	<b>\$720,694</b>

## Overview of the Financial Statements

The Montgomery Village Foundation, Inc.'s basic financial statements comprise the following: 1) statement of financial position, 2) statement of activities and changes in net assets, 3) statement of cash flows and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The Foundation's financial statements have been prepared in accordance with Financial Accounting Standards Board's ASC 958-210.

### Basic Financial Statements

The *statement of financial position* presents information on all of the Montgomery Village Foundation, Inc.'s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating. The statement of financial position can be found on page 9 of this report.

The *statement of activities and changes in net assets* presents information showing how the Foundation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement of activities and changes in net assets can be found on page 10 of this report.

The *statement of cash flows* presents information on the sources and uses of the Foundation's cash accounts. The statement of cash flows can be found on page 11 of this report.

The *notes to the financial statements* will provide additional information that is essential to a full understanding of the data provided in the basic financial statements and supplemental schedules. The notes to the financial statements can be found on pages 13-29 of this report.

Included on pages 30 through 35 is additional information which provides a detailed view of MVF's funds and Operating and Reserve sub-funds. The purpose of these supplemental schedules is for analysis and is not a required part of the basic financial statements.

**Fund accounting** - The Foundation utilizes fund accounting for internal financial reporting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The financial structure of the Foundation consists of three core funds. The first is used to account for the operations of the business activities (Operating Fund), the second holds the capital assets (Fixed Asset Fund), and the third invests designated funds for the future repair and replacement of Foundation assets (Reserve Fund). Of these, it is the Operating Fund which administers the primary activities within several sub-funds. These include:

**Montgomery Village Foundation Fund**

This Fund provides for the general governance, operation, and maintenance of common properties (parks and lakes), architectural standards and communications. Assessments are levied on all members of the Foundation to support this function.

**Designated User Fund**

This Fund provides for the operation and maintenance of the community centers, pools, and tennis courts owned by the Foundation. Assessments are levied only on members who are designated to use these facilities.

**Poplar Spring Fund**

This Fund provides general governance, covenant and architectural standards, and maintenance of an entrance sign and land for this group of 18 homes.

**User Fee Fund**

This Fund provides fee based recreation programs and activities.

**Community Management Fund**

This Fund provides management services, at cost, to the homes corporations and condominium associations within Montgomery Village that contract for the service. Revenue is generated from the contracts signed with those homes corporations and/or condominium associations.

**Budgetary Information**

The Foundation Board adopts an annual budget. The 2018 budget included a \$1.15 increase for the Designated Users Fund assessment with no increase to the Montgomery Village Foundation Fund assessment.

The 2018 budget provided funds for a 3% general salary increase and a contribution to reserves of \$1,250,918. The 2018 operating and reserve budgets continued funding for successful programs such as the farmers market, expanded lawn theater series, dive-in movie nights, Great Pumpkin Race/Fall Festival, and Seniors in Action!

The following table summarizes the Revenues and Expenses of the Operating Fund of the Foundation for the year ended December 31, 2018 as compared to the adopted budget and 2017 comparative totals.

**Statement of Revenues and Expenses - Operating Fund – Budget and prior year vs 2018 results**

	For the year ended December 31, 2018	2018 Adopted Budget	For the year ended December 31, 2017
<b>Revenue:</b>			
Assessments	6,331,132	6,330,580	6,219,391
Assessment collection fees	209,790	197,750	202,467
Management fee income	814,389	800,489	794,258
Classes/other recreational programs	405,642	362,158	381,028
Advertising income	90,151	121,000	109,640
Investment income	5,416	9,000	3,491
Capital contribution fee	315,169	145,000	191,089
Other income	368,865	355,250	372,624
<b>Total Revenues</b>	<b>8,540,555</b>	<b>8,321,227</b>	<b>8,273,988</b>
<b>Expenses:</b>			
Personnel and benefits	4,860,888	4,960,130	4,671,885
Business Expenses	175,716	204,167	177,721
Office Supplies	33,671	46,501	31,346
Program/maintenance supplies	127,206	131,324	133,220
Occupancy	295,438	305,580	308,555
Office expenses/service contracts	331,030	387,119	376,193
Equipment maintenance	40,838	40,255	25,788
Vehicle expenses	28,270	30,026	20,318
Financial & legal	153,575	146,700	118,091
Bad debt expense	60,000	60,000	- 0 -
Insurance	120,471	122,620	120,450
Printing	73,974	84,850	78,894
Landscape & maintenance	719,879	794,864	730,171
Other expenses	2,622	6,400	86,537
<b>Total Expenses</b>	<b>7,023,577</b>	<b>7,320,537</b>	<b>6,879,170</b>
<b>Income before Interfund transfers</b>	<b>1,516,978</b>	<b>1,000,690</b>	<b>1,394,818</b>
<b>Interfund transfers:</b>			
Invested in property and equipment	5,195	32,195	107,201
Contributions to reserves	1,250,918	1,250,918	1,089,959
Capital contribution fee	315,169	145,000	191,089
<b>Total interfund transfers</b>	<b>1,571,282</b>	<b>1,428,113</b>	<b>1,388,249</b>
<b>Change in Net Assets</b>	<b>(54,304)</b>	<b>(427,423)</b>	<b>6,568</b>

With the above results, the December 31, 2018 net asset balances of the five Operating funds are (page 33):

	<b>Operating</b>	<b>Reserve</b>
Montgomery Village Foundation Fund	\$ 642,260	\$ 3,873,346
User Fee Fund	329,930	
Designated Users Fund	340,977	2,244,115
Community Management Fund	297,098	
Poplar Spring Fund	(933)	
<b>Total Fund Balances, 12/31/18</b>	<b>\$1,609,332</b>	<b>\$ 6,117,461</b>

## **Statement of Revenues and Expenses – Operating Fund – Variances versus Budget**

**Assessment Revenue** – Assessment revenue came in on budget. 2018 saw a budgeted increase in Designated Users fund assessments. The Designated Users Fund increased \$1.15 to \$35.57 per unit per month and the MVF Fund was not increased for 2018 and remained at \$21.03 per unit per month.

**Advertising Revenue** – The unfavorable variance is attributed to less Village News advertisements and sponsorships for our larger events such as the Home Improvement Show and the Fall Festival. The Village News is currently published once a month (beginning in August) as we attempt to transition more advertisers onto our website.

**Camps & Classes Revenue** – The favorable variance is driven by an increase in participation in both camps and classes. This is in part due to the introduction of new and exciting programs as well as an increase in marketing initiatives.

**Capital Contribution Fee** – The favorable revenue variance was primarily due to the sale of the Cider Mill Apartments which generated \$143,075 in CCF revenue to MVF.

**Personnel & Benefit costs** – The favorable personnel cost budget variance is due to savings from several open full-time positions during the year and wage differences for replacement of these vacant positions.

**Business Expenses** – The favorable variance is primarily due to lower than expected costs related to performance & admission costs, in particular the sale of Maryland Recreation and Parks Association (MRPA) amusement tickets which are sold at the MVF office to residents. Another component of this variance is lower staff training expenses.

**Office Supplies** – The favorable variances are due to general overall lower expenses on office supplies across the organization including marketing supplies and materials.

**Printing Expense** – The favorable decrease in printing costs is related to the printed edition of the Village News. The 2018 budget anticipated two editions being published each month but as of August of 2018, the newspaper was reduced to only one edition per month.

**Office Expenses/Service Contracts** – The favorable variance is due to the 2018 budget including \$60,000 for the homeowner records scanning project which was accrued for in 2017.

**Bad Debt Expense** – After review of the year-end assessment receivables balance, management decided to increase the bad debt reserves by the budgeted amount of \$60,000. This brought the allowance up from \$114,000 to about \$174,000, attaining appropriate coverage for uncollectable accounts receivable.

**Landscape & maintenance** – The favorable variance in maintenance and landscaping is primarily due to lower than expected outsourced maintenance support related to MVF planned events such as July 4<sup>th</sup> and the Fall Festival. Additionally, lower costs were incurred in tree/shrub maintenance and snow removal.

We wish to extend a thank you to all the MVF staff involved with the audit and our auditors (Michele Mills, Adelaide Blickenstaff & Tim Connole of Deleon & Stang) for returning to perform another successful audit. Also, thanks to the MVF Audit Committee and MVF Board of Directors for their participation and assistance throughout 2018.

Respectfully submitted,

David B. Humpton  
Executive Vice President

Daniel Salazar, CPA  
Chief Financial Officer

DRAFT

## **INDEPENDENT AUDITORS' REPORT**

### **Board of Directors Montgomery Village Foundation, Inc. Gaithersburg, Maryland**

We have audited the accompanying financial statements of Montgomery Village Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 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 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 auditors' 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.



**Montgomery Village Foundation, Inc.**  
**Independent Auditors' Report**  
**Page 2**

**Emphasis of Matter**

Montgomery Village Foundation, Inc. had adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (AS) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. Our opinion is not modified with respect to this matter.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery Village Foundation, Inc. as of December 31, 2018, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Summarized Comparative Information**

We have previously audited Montgomery Village Foundation, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*DeLeon & Stang*

**DeLeon and Stang, CPAs and Advisors**  
**Frederick, Maryland**  
**March     , 2019**



**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents (see note 3)	\$ 2,379,019	\$ 1,350,855
Investments (see note 4)	5,870,386	6,271,767
Accounts receivable, net (see note 6)	582,104	625,434
Prepaid expenses	60,945	26,931
Property and equipment, net (see note 8)	8,575,124	8,488,387
<b>Total Assets</b>	\$ 17,467,578	\$ 16,763,374
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 173,802	\$ 151,699
Accrued salaries and benefits	189,338	162,590
Sunstream capital lease (see note 17)	111,698	116,893
Due to homes corporations	196,602	132,462
Deferred revenue (see note 9)	593,338	532,204
Total Liabilities	1,264,778	1,095,848
 <b>Net Assets</b> (see note 2, 11 and 12)		
Without donor restrictions	16,190,220	15,654,351
With donor restrictions	12,580	13,175
Total Net Assets	16,202,800	15,667,526
<b>Total Liabilities and Net Assets</b>	\$ 17,467,578	\$ 16,763,374

The accompanying notes are an integral part of these statements.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Assessments	\$ 6,331,132	\$ 6,219,391
Management fee income	814,389	794,258
Classes and other recreational programs	279,688	263,270
Pool memberships/rental fees	125,955	117,758
Advertising income	90,151	109,640
Investment income	181,483	158,131
Assessment collection fees	209,790	202,466
Capital contribution fee	315,169	191,089
Disclosure fees	156,250	143,719
Transfer fees	39,450	39,825
Other income	<u>173,165</u>	<u>179,081</u>
Total Unrestricted Revenues and Other Support	8,716,622	8,418,628
Net assets released from restriction	<u>595</u>	<u>589</u>
Total Unrestricted Revenues and Other Support and reclassifications	<u>8,717,217</u>	<u>8,419,217</u>
Personnel and benefits	4,860,888	4,671,885
Business expenses	175,716	177,721
Office supplies	33,671	31,346
Program/maintenance supplies	127,800	133,810
Occupancy	295,438	308,555
Office expenses/service contracts	343,719	381,184
Equipment maintenance	79,479	78,536
Vehicle expenses	28,270	20,318
Financial and legal	198,455	154,876
Bad debt expense	60,000	-
Insurance	120,471	120,450
Printing	73,974	78,894
Landscape and maintenance	838,200	794,006
Depreciation and amortization	628,761	617,081
Other	<u>2,028</u>	<u>85,950</u>
Total Expenses	<u>7,866,870</u>	<u>7,654,612</u>
Change in Net Assets Without Donor Restrictions Before Other Items	850,347	764,605
<b>Other Items</b>		
Realized/unrealized gain (loss) on investments	<u>(314,478)</u>	<u>240,670</u>
Total Other Items	<u>(314,478)</u>	<u>240,670</u>
Change in Net Assets Without Donor Restrictions	535,869	1,005,275
<b>Net Assets With Donor Restrictions</b>		
Restricted donations	-	10,000
Released from restriction	<u>(595)</u>	<u>(589)</u>
Change in Net Assets With Donor Restrictions	<u>(595)</u>	<u>9,411</u>
Change in Net Assets	535,274	1,014,686
Net Assets, beginning of year	<u>15,667,526</u>	<u>14,652,840</u>
<b>Net Assets, end of year</b>	<u>\$ 16,202,800</u>	<u>\$ 15,667,526</u>

The accompanying notes are an integral part of these statements.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 535,274	\$ 1,014,686
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	628,761	617,081
Provision for uncollectible accounts	60,000	-
Realized/unrealized loss (gain) on investments	314,478	(240,670)
Change in operating assets and liabilities:		
Accounts receivable	(16,670)	6,332
Prepaid expenses	(34,014)	35,402
Accounts payable	22,103	(307,869)
Due to homes corporations	64,140	16,418
Deferred revenue	61,134	47,071
Accrued salaries and benefits	26,748	(12,675)
	<b>1,661,954</b>	<b>1,175,776</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	(1,185,843)	1,477,558
Purchase of investments	1,272,746	(1,705,919)
Construction in progress - current year	(316,537)	(1,584,542)
Purchase of property and equipment	(398,961)	(137,146)
	<b>(628,595)</b>	<b>(1,950,049)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments on capital lease	(5,195)	(5,195)
	<b>(5,195)</b>	<b>(5,195)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	1,028,164	(779,468)
Cash and cash equivalents, beginning of year	1,350,855	2,130,323
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,379,019</b>	<b>\$ 1,350,855</b>
<b>Supplemental Information:</b>		
Cash paid for interest	\$ 7,120	\$ 12,867
Cash paid for taxes	\$ -	\$ -

The accompanying notes are an integral part of these statements.

**Montgomery Village Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	<b>Program Expenses</b>				<b>Supporting Expenses</b>		<b>Total Expenses</b>
	<b>Government Affairs &amp; Communications</b>	<b>Parks/Recreation &amp; Maintenance</b>	<b>Community Mgmt. &amp; Poplar Spring</b>	<b>Architectural Compliance</b>	<b>Total Program Expense</b>	<b>Management &amp; General</b>	
<b>Expenses</b>							
Personnel and benefits	\$ 375,181	\$ 2,078,667	\$ 633,628	\$ 529,305	\$ 3,616,781	\$ 1,244,107	\$ 4,860,888
Business expenses	1,953	131,030	8,636	653	142,272	33,444	175,716
Office supplies	7,068	8,133	3,348	1,845	20,394	13,277	33,671
Program/maintenance supplies	-	125,345	-	-	125,345	2,455	127,800
Occupancy	1,544	243,180	3,156	467	248,347	47,091	295,438
Office expenses/service contracts	35,097	70,855	17,706	13,223	136,881	206,838	343,719
Equipment maintenance	-	78,791	-	95	78,886	593	79,479
Vehicle expenses	-	25,927	-	1,473	27,400	870	28,270
Financial and legal	364	69,541	3,544	16,819	90,268	108,187	198,455
Bad debt expense	-	25,000	-	-	25,000	35,000	60,000
Insurance	6,643	81,721	13,235	7,210	108,809	11,662	120,471
Printing	53,653	8,769	475	-	62,897	11,077	73,974
Landscape and maintenance	-	803,331	1,860	-	805,191	33,009	838,200
Depreciation and amortization	1,777	550,920	291	201	553,189	75,572	628,761
Other	1,277	(6,072)	-	-	(4,795)	6,823	2,028
Allocations	62,000	568,356	138,349	-	768,705	(768,705)	-
<b>Total Expenses</b>	<b>\$ 546,557</b>	<b>\$ 4,863,494</b>	<b>\$ 824,228</b>	<b>\$ 571,291</b>	<b>\$ 6,805,570</b>	<b>\$ 1,061,300</b>	<b>\$ 7,866,870</b>

The accompanying notes are an integral part of this statement.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 1- NATURE OF OPERATIONS**

Montgomery Village Foundation, Inc. (the Foundation), a non-profit membership corporation, was formed for the preservation, protection, and enhancement of the values and amenities in Montgomery Village, a planned community. The Foundation has been delegated and assigned the powers of owning, maintaining, and administering the common properties and facilities, administering and enforcing the covenants and restrictions, and collecting and disbursing the assessments and charges created by covenants. Membership in the Foundation is automatic with the purchase of a dwelling unit in Montgomery Village.

The Foundation is governed by a nine-member Board of Directors who are elected by the members of the Foundation.

Montgomery Village consists of 12,099 residential units located on approximately 2,500 acres in Montgomery County, Maryland. The 12,099 residential units are comprised of 8,480 single family/townhomes, 1,428 rental apartment units and 2,191 condominium units.

The financial structure of the Foundation consists of three funds. The first is used to account for the operations of the business activities (Operating Fund), the second holds the capital assets (Fixed Asset Fund), and the third invests designated funds for the future repair and replacement of Foundation assets (Reserve Fund), which includes the capital contribution fund effective January 1, 2012. Of these, it is the Operating Fund which administers the primary activities within five funds. The five operating funds include:

Montgomery Village Foundation Fund

This Fund provides for the general governance, operation, and maintenance of common properties (parks and lakes), architectural standards, and communications. Assessments are levied on all members of the Foundation to support this function.

Designated Users Facilities Fund

This Fund provides for the operation and maintenance of the community centers, pools, and tennis courts owned by the Foundation. Assessments are levied only on members who are designated to use the facilities.

Poplar Spring Fund

This Fund provides general governance, covenant, and architectural standards, and maintenance of an entrance sign and land for this group of 18 homes.

User Fee Programs Fund

This Fund provides recreation activities for a fee.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 1- NATURE OF OPERATIONS (Continued)**

Community Management Fund

This Fund provides management services, at cost, to the homes corporations and condominium associations within Montgomery Village that contract for the service. Revenue is generated from the users of this function.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. All expenses are charged first to a designated cost center and then are allocated to the designated fund specified in the cost allocation program.

**Financial Statement Presentation**

The financial statement presentation follows Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-210. Under FASB's ASC 958-210, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

**Net Assets Without Donor Restrictions** – Net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by management or by board designation. Net assets without donor restrictions represent the funds that are available to support the Foundation's general operations. Net assets without donor restrictions that are designated by the Board represent the funds that the Foundation's Board of Directors has determined should be reserved for long-term investment purposes. The Board has the right to approve expenditures from these reserved funds at any time.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

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

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of accounts. Balances are written off through a charge to the valuation allowance and a credit to accounts receivable when the homeowner is discharged via federal bankruptcy or the home is foreclosed and the former homeowner is no longer serviceable through the Foundation's normal collection efforts. The allowance account as of December 31, 2018 and 2017 was \$174,412 and \$161,499, respectively. Bad debt expense for the years ended December 31, 2018 and 2017 was \$60,000 and \$0, respectively. Write offs for the years ended December 31, 2018 and 2017 were \$59,158 and \$60,941, respectively.

Foundation members are subject to quarterly assessments to provide funds for the Foundation's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are billed at the beginning of each quarter. Any amounts outstanding as of the next billing cycle are considered delinquent.

**Investments**

The Foundation follows FASB ASC 958-320. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investment balances are subject to market fluctuations and credit risks. Therefore, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value in subsequent periods.



**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment are recorded at cost or, if donated, at the estimated fair market value upon receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Foundation capitalizes real or personal property that has an acquisition cost equal to or greater than \$5,000. Purchases less than the capitalization threshold are expensed in the year of acquisition.

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$628,761 and \$617,081, respectively.

**Deferred Revenue**

Deferred revenue represents class fees, assessments and advertising revenue collected in advance.

**Investment Income**

Investment income earned by the reserve fund investments is allocated monthly to the funds which require reserve funds – Montgomery Village Fund and Designated Users Facility Fund – based on the average fund balances. Investment income is neither allocated, nor charged, to negative balances.

**Income Taxes**

The Foundation is a non-stock, non-profit organization which holds tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. Pursuant to the regulations issued for 501(c)(4) tax exempt organizations, the Foundation must primarily engage in promoting, in some way, the common good and general welfare of the people in the community.

The Foundation is subject to taxation on unrelated business income activities. There were no tax liabilities on these income activities in 2018 or 2017.

The Foundation has adopted FASB ASC 740-10 and Accounting Standards Update (ASU) 2009-06. As part of those adoptions, the Foundation considered the possibility of uncertain tax positions and their impact on the financial position of the Foundation. The most significant tax positions of the Foundation are its tax-exempt status and the determination of unrelated business taxable income. As of December 31, 2018 and 2017, management did not identify any uncertain tax positions.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation accrues interest and penalties (if applicable) in income taxes payable on the Statement of Financial Position and records any expense in the provision for income taxes in the Statements of Activities and Changes in Net Assets. The Foundation had no penalties or income taxes for the years ended December 31, 2018 and 2017. Pursuant to Internal Revenue Service rules for the statute of limitations, the Foundation believes it is no longer subject to U.S. Federal, state, and local income tax examinations by taxing authorities for years before 2015.

**Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation expense is allocated based on which cost center maintains possession of the asset. Overhead costs from management and general to program services have been allocated to show a more accurate presentation of program expenses. These allocations are based on various factors including office square footage, actual time and effort, and percentage of total departmental expense based on actual costs. Certain minor operating expenses are allocated based on various methods such as total budgeted department costs and/or square footage. All other costs are charged directly to the appropriate functional category.

**Recently Issued Accounting Standards**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation adopted the provisions of this new standard for the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, required analysis of expenses by both nature and function and additional disclosures related to the functional allocation of expenses. This ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 3- CASH AND CASH EQUIVALENTS**

The following is a schedule of cash and money market balances at December 31, 2018 and 2017:

	<u>2018</u> <u>Balance</u>	<u>Interest</u> <u>Rate</u>	<u>2017</u> <u>Balance</u>	<u>Interest</u> <u>Rate</u>
Petty cash	\$ 650	-	\$ 650	-
Checking:				
M&T	126,635	-	119,604	-
Community Association Banc	<u>771,396</u>	-	<u>426,857</u>	-
	898,031		546,461	
Money market and savings accounts:				
Bank of Charles Town	546,983	0.90%	395,407	0.90%
Bank of Charles Town	602,532	0.90%	297,115	0.90%
Bank of Charles Town	<u>1,001</u>	0.90%	<u>1</u>	0.90%
	1,150,516		692,523	
Deposits in brokerage account:				
Wilmington Trust	<u>329,822</u>	-	<u>111,221</u>	-
Total cash and cash equivalents	<u>\$ 2,379,019</u>		<u>\$ 1,350,855</u>	

**NOTE 4- INVESTMENTS**

The following is a summary of the investments at December 31, 2018:

	<u>Cost</u>	<u>Fair Market</u> <u>Value</u>	<u>Unrealized</u> <u>Gain/(Loss)</u>
Certificates of Deposit	\$ 200,000	\$ 201,337	\$ 1,337
Treasury Securities & Federal Agencies	1,881,859	1,850,212	(31,647)
Corporate Grade Bonds	1,930,898	1,890,610	(40,288)
Inflation Hedges	174,623	168,886	(5,737)
Equities	<u>1,651,121</u>	<u>1,759,341</u>	<u>108,220</u>
	<u>\$ 5,838,501</u>	<u>\$ 5,870,386</u>	<u>\$ 31,885</u>

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 4- INVESTMENTS (Continued)**

The following is a summary of the maturities of the investments at December 31, 2018:

<b>Matures</b>	<b>Treasury Securities &amp; Federal Agencies</b>	<b>Certificates of Deposit</b>	<b>Corporate Grade Bonds</b>	<b>Equities &amp; Inflation Hedges</b>	<b>Total</b>
n/a	\$ -	\$ -	\$ -	\$ 1,928,227	\$ 1,928,227
2019	-	100,380	252,914	-	353,294
2020	262,048	100,957	480,767	-	843,772
2021	267,494	-	310,140	-	577,634
2022	254,539	-	196,392	-	450,931
2023	303,043	-	125,878	-	428,921
Thereafter	763,088	-	524,519	-	1,287,607
<b>Total</b>	<b>\$ 1,850,212</b>	<b>\$ 201,337</b>	<b>\$ 1,890,610</b>	<b>\$ 1,928,227</b>	<b>\$ 5,870,386</b>

At December 31, 2018, the current yield to maturity on the treasury securities and federal agencies range from 1.25% to 3.63%, while the current yield to maturity on the corporate grade bonds range 1.38% to 4.25%, and the current yield to maturity on the certificates of deposit range from 3.65% to 4.00%.

The following is a summary of the investments at December 31, 2017:

	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Gain/(Loss)</b>
Certificates of Deposit	\$ 350,000	\$ 357,164	\$ 7,164
Treasury Securities & Federal Agencies	2,003,288	1,979,366	(23,922)
Corporate Grade Bonds	1,756,428	1,751,201	(5,227)
Inflation Hedges	174,623	177,840	3,217
Equities	1,638,276	2,006,196	367,920
	<b>\$ 5,922,615</b>	<b>\$ 6,271,767</b>	<b>\$ 349,152</b>

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 4- INVESTMENTS (Continued)**

The following is a summary of the maturities of the investments at December 31, 2017:

<u>Matures</u>	<u>Treasury Securities &amp; Federal Agencies</u>	<u>Certificates of Deposit</u>	<u>Corporate Grade Bonds</u>	<u>Equities &amp; Inflation Hedges</u>	<u>Total</u>
n/a	\$ -	\$ -	\$ -	\$ 2,184,036	\$ 2,184,036
2018	358,824	151,130	60,061	-	570,015
2019	158,927	102,715	283,270	-	544,912
2020	314,555	103,319	330,606	-	748,480
2021	270,444	-	202,791	-	473,235
2022	256,661	-	276,004	-	532,665
Thereafter	619,955	-	598,469	-	1,218,424
<b>Total</b>	<b>\$ 1,979,366</b>	<b>\$ 357,164</b>	<b>\$ 1,751,201</b>	<b>\$ 2,184,036</b>	<b>\$ 6,271,767</b>

At December 31, 2017, the current yield to maturity on the treasury securities and federal agencies range from 1.16% to 2.41%, while the current yield to maturity on the corporate grade bonds range 1.38% to 4.25%, and the current yield to maturity on the certificates of deposit range from 1.52% to 1.80%.

**NOTE 5- FAIR VALUES**

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The input levels used for valuing the assets and liabilities are not necessarily an indication of risk. The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 5- FAIR VALUES (Continued)**

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Equities and Inflation Hedges* – identical assets valued at the closing price reported on the active market on which the individual securities are traded.

*Certificates of Deposit, Treasury Securities, Federal Agencies, and Corporate Grade Bonds* – similar assets valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market and Savings Accounts	\$1,150,516	\$ -	\$ -	\$1,150,516
Certificates of Deposit	-	201,337	-	201,337
Treasury Securities	-	1,731,830	-	1,731,830
Federal Agencies	-	118,382	-	118,382
Equities & Inflation Hedges	1,928,227	-	-	1,928,227
Corporate Grade Bonds	-	1,890,610	-	1,890,610
	<u>\$3,078,743</u>	<u>\$3,942,159</u>	<u>\$ -</u>	<u>\$7,020,902</u>

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 5- FAIR VALUES (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market and Savings Accounts	\$ 692,523	\$ -	\$ -	\$ 692,523
Certificates of Deposit	-	357,164	-	357,164
Treasury Securities	-	303,766	-	303,766
Federal Agencies	-	1,675,600	-	1,675,600
Equities & Inflation Hedges	2,184,036	-	-	2,184,036
Corporate Grade Bonds	-	1,751,201	-	1,751,201
	<u>\$2,876,559</u>	<u>\$4,087,731</u>	<u>\$ -</u>	<u>\$6,964,290</u>

**NOTE 6- ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Assessments	\$ 638,728	\$ 680,917
Allowance for doubtful accounts	(174,412)	(161,499)
Management and maintenance fees	24,874	20,784
Accrued interest	30,336	28,072
Other	62,578	57,160
	<u>\$ 582,104</u>	<u>\$ 625,434</u>

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 7- LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following table reflects the Foundation's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve. These board designations are drawn upon once the board approves the applicable action.

	<b>December 31, 2018</b>
Financial assets, at year-end	
Cash & Cash Equivalents	\$ 2,379,019
Investments	5,870,386
Accounts Receivable	582,104
Total financial assets	<u>8,831,509</u>
Less those unavailable for general expenditure within one year, due to:	
Board designated reserves for future contingencies	(1,118,716)
Board designated CCF reserves for future contingencies	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,612,793</u>

The Foundation has policies to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's investment policy has been established to provide a balanced asset allocation between equities, fixed income and cash, which maximizes the objectives of preserving capital and maintaining liquidity for cash flow needs.

In addition to our \$5,870,386 in investments for reserve items, the Foundation also monitors and moves excess cash into Insured Cash Sweep (ICS) accounts with the Bank of Charles Town (BCT) that earn a higher interest rate. At December 31, 2018, the Foundation had \$1,150,516 in funds with BCT.



**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 8- PROPERTY AND EQUIPMENT, NET**

Property and equipment were as follows at December 31:

	<u>Useful life</u>	<u>2018</u>	<u>2017</u>
Montgomery Village Foundation:			
Office furniture and equipment	3-15 years	\$ 993,500	\$ 944,110
Improvements - parks and lakes	5-30 years	4,254,301	4,112,694
Administrative & maintenance facility	5-50 years	<u>1,276,509</u>	<u>1,269,282</u>
		6,524,310	6,326,086
Designated Users Facilities:			
Improvements - community centers	3-30 years	2,290,504	1,920,277
Solar generation facility (capital lease)	25 years	129,881	129,881
Improvements - pools	5-30 years	6,092,862	6,114,722
Improvements - tennis courts	5-40 years	<u>404,534</u>	<u>452,924</u>
		<u>8,917,781</u>	<u>8,617,804</u>
Total property and equipment		15,442,091	14,943,890
Construction in progress		76,599	16,125
Less: Accumulated depreciation & amortization		<u>(6,943,566)</u>	<u>(6,471,628)</u>
Property and equipment, net		<u>\$ 8,575,124</u>	<u>\$ 8,488,387</u>

**NOTE 9- DEFERRED REVENUE**

Deferred revenue at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Class fees	\$ 10,198	\$ 11,986
Assessments	581,181	516,800
Advertising	<u>1,959</u>	<u>3,418</u>
	<u>\$ 593,338</u>	<u>\$ 532,204</u>

**NOTE 10- DONATED ASSETS**

The assets listed below were acquired from the developer, Kettler Brothers, Inc., at no cost to Montgomery Village Foundation, Inc. and are not recorded in the accompanying financial statements. The costs of operating and maintaining these assets are expensed annually. Betterments and improvements to such assets have been capitalized and are being depreciated over their respective useful lives.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 10- DONATED ASSETS (Continued)**

***Kettler Brothers Donated Assets:***

Designated Users Facility Fund – Buildings and Facilities:

North Creek Community Center and tot lot	Lake Marion Community Center and Pool
North Creek Pool	Watkins Mill Pool, bath house, and tot lot
Whetstone Pool	Peggy Mark Pool, bath house, tot lot, and
Stedwick Community Center and tot lot	basketball court
Stedwick Pool	Whetstone Community Center
William Hurly Park Pool and bath house	

Designated Users Facility Fund – Tennis Courts:

Four at Whetstone	Two at Watkins Mill
Two at Stedwick	Four at Apple Ridge
Two at Heights	Four at Ed DeSimon Park
Four at North Creek	

Montgomery Village Foundation – Land:

South Valley Park	Apple Ridge site – maint. Facility and park land
South Valley Park Lawn Theatre	Ed DeSimon Recreation Area
North Creek Lake, park and two tot lots	Lake Marion and Stream Valley
North Creek Nature Center	East Village Avenue Pipestem
William Hurley Park, basketball court, and tot lot	Patsy E. Huson Ballfield
Clubsides Park	Martin P. Roy Park
Picton tot lot	Apple Ridge Ballfield
North Creek Stream Valley Park	Milton M. Kaufmann Park
Lake Whetstone and Whetstone Run	Poplar Spring entry sign
Stream Valley	
Lake Whetstone boat house – South Dock	

***Tower Corporation Donated Assets:***

On May 16, 2012 Tower Corporation conveyed a deed for Out lot 1 in a subdivision known as Community Services, East Village, Montgomery Village per plat thereof recorded on August 22, 2003 in plat No 22677 among the land Records of Montgomery County Maryland. The land was conveyed as unimproved and at no cost to Montgomery Village Foundation and is therefore not included in the accompanying financial statements. The cost of operating and maintaining this land is expensed annually. Any subsequent improvements will be capitalized and depreciated over their respective lives.

Montgomery Village Foundation – Land:

Community Services For Autistic  
Adults & Children (CSAAC)

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 11- NET ASSETS**

Net assets with donor restrictions were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Specific Purpose		
Band Fund	\$ 2,580	\$ 3,175
Cricket Pitch Fund	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 12,580</u>	<u>\$ 13,175</u>

Net assets without donor restrictions were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ 10,072,759	\$ 10,034,535
Board-Designated Reserve Funds		
Montgomery Village Foundation Fund	3,374,670	3,385,946
Capital Contribution Fund	498,676	415,302
Designated Users Facilities Fund	<u>2,244,115</u>	<u>1,818,568</u>
Total	<u>\$ 16,190,220</u>	<u>\$ 15,654,351</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of Purpose Restrictions		
Band Fund	<u>\$ 595</u>	<u>\$ 589</u>

**NOTE 12- BOARD DESIGNATED RESERVE FUNDS**

In 1984 the Foundation's Board of Directors established a Reserve Fund for the future repair and/or replacement of its long-lived assets. The inventory of reserve items includes assets with a useful life of three or more years and a total replacement cost of at least \$1,000. The Board of Directors set a goal to fund the reserves annually at 75% of the projected value of the reserve assets 30 years into the future. The projected value includes assumptions for inflation, return on investment and the annual expected expenditures and is used in determining the annual contribution requirement.

Foundation staff update the reserve inventory and assumptions on an annual basis as part of the budget process. The Board of Directors has the right to approve expenditures from these reserve funds at any time.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 12- BOARD DESIGNATED RESERVE FUNDS (Continued)**

Contributions from the Operating Fund to the Reserve Fund and capital outlay costs from the Reserve Fund were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Contributions	\$1,250,918	\$1,089,959
Capital outlay costs	715,499	1,778,041

During 2011, the Foundation passed an amendment to its By-laws to charge a capital contribution fee effective January 1, 2012 upon purchase of property within Montgomery Village. The fee is set at one-tenth of one percent of the gross selling price of the property. The funds are used to fund new facilities and amenities open to the use and enjoyment of all residents and are held in the reserve fund. The total amount of fees collected and transferred to the reserve fund as of December 31, 2018 and 2017 was \$315,169 and \$191,089, respectively. Net of expenses to date, the Fund has an accumulated value of \$498,676.

**NOTE 13- CREDIT RISK**

The Foundation maintains cash balances at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation. As of December 31, 2018, the carrying amount of the Foundation's assessment checking account balance at Community Association Bank was \$396,837, leaving \$146,837 uninsured. As of December 31, 2017, the carrying amount of the Foundation's assessment checking account balance at Community Association Bank was \$283,465, leaving \$33,465 uninsured.

In addition, the Foundation has cash and cash equivalent accounts with a brokerage firm. All balances were insured by either the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation at December 31, 2018 and 2017.

The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**NOTE 14- CONTINGENCIES AND UNCERTAINTIES**

The Foundation is, from time-to-time, involved in litigation incidental to its business. The Foundation believes that the results of ongoing and other pending legal proceedings will not have a material adverse effect on the financial condition, results of operation or liquidity of the Foundation.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 15- PROGRAM SERVICES**

Program service and general and administrative expenses included in the accompanying financial statements were as follows for the year ended December 31, 2017. ASU 2016-14 required the analysis of expenses by both functional and natural classification for the year ended December 31, 2018, which is presented as the Statement of Functional Expenses.

	<u>2017</u>
Program Services:	
Montgomery Village Foundation Fund	\$ 1,236,921
Designated Users Facilities Fund	2,712,636
Poplar Spring Fund	2,321
User Fee Programs Fund	312,301
Community Management Fund	<u>644,414</u>
Total Program Service Expenses	4,908,593
General and Administrative Services:	<u>2,746,019</u>
Total Expenses	<u>\$ 7,654,612</u>

**NOTE 16- RETIREMENT PLAN**

The Foundation has adopted a 401(k) plan for the benefit of its employees. The Plan covers all employees of Montgomery Village Foundation, Inc. who are at least eighteen years of age, excluding employees who perform duties solely in the capacity of recording secretary for the meetings of the Board of Directors and temporary employees. Eligible employees may enter the plan upon attaining the age requirement on the first day of each calendar month during a Plan year. Employees can contribute a portion of their compensation not to exceed the limits of the plan. The Foundation contributed \$154,419 and \$147,100 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 17- LEASE PAYABLE**

During 2014, Montgomery Village Foundation, Inc. entered into a solar power purchase and lease agreement with Sunstream Energy LLC for the use of solar panels on the roof of the Lake Marion community center. The Foundation is financing the acquisition of the solar panels through a capital lease over the lease term of twenty five (25) years. During this term, an option to purchase the solar panels and related equipment is available at any time after the first five years from the "Operational Date" which was July 2015. The general terms of the lease include \$.11/kWh rate times the expected output per month for each year.

**MONTGOMERY VILLAGE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**NOTE 17- LEASE PAYABLE (Continued)**

An annual reconciliation is completed to determine the under/over between the actual and expected output. The \$.11/kWh includes both the cost of the solar power generated as well as the lease portion attributable to the cost of the equipment. For the Foundation's accounting purposes, the lease portion was derived by calculating the net present value of the sum of the twenty five years of expected output payments or \$129,881. Of the monthly fee paid, \$433 represents the Foundation's investment in the solar panels asset which will reduce the lease payable each month.

The remainder of the monthly payment is recognized as solar interest expense included in the occupancy expense on the statement of activities and changes in net assets. As of December 31, 2018 and 2017, interest expense was \$7,120 and \$12,867 respectively.

The following is a schedule of the future minimum payments required under the lease as of December 31, 2018:

2019	\$	5,195
2020		5,195
2021		5,195
2022		5,195
2023		5,195
Thereafter		<u>85,723</u>
		<u>\$ 111,698</u>

**NOTE 18- SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Financial Position date through the date that the financial statements are available to be issued. As of March     , 2019, the date the financial statements were available to be issued, the Foundation performed an evaluation and determined that there are no subsequent events requiring disclosure.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Financial Position - By Fund**  
**December 31, 2018 (with comparative totals for December 31, 2017)**

	<b>Operating Fund</b>	<b>Fixed Asset Fund</b>	<b>Reserve Fund</b>	<b>Total All Funds 2018</b>	<b>Total 2017</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,501,214	\$ -	\$ 877,805	\$ 2,379,019	\$ 1,350,855
Investments	-	-	5,870,386	5,870,386	6,271,767
Accounts receivable, net	538,291	-	43,813	582,104	625,434
Prepaid Expenses	60,945	-	-	60,945	26,931
Construction in progress	-	76,599	-	76,599	16,125
Property and equipment	-	15,442,091	-	15,442,091	14,943,890
Less: Accumulated depreciation	-	(6,943,566)	-	(6,943,566)	(6,471,628)
Property and equipment, net	-	8,575,124	-	8,575,124	8,488,387
<b>Total Assets</b>	<b>\$ 2,100,450</b>	<b>\$ 8,575,124</b>	<b>\$ 6,792,004</b>	<b>\$ 17,467,578</b>	<b>\$ 16,763,374</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Interfund transactions	\$ (674,543)	\$ -	\$ 674,543	\$ -	\$ -
Accounts payable	173,802	-	-	173,802	151,699
Sunstream capital lease	-	111,698	-	111,698	116,893
Accrued salaries and benefits	189,338	-	-	189,338	162,590
Due to homes corporations	196,602	-	-	196,602	132,462
Deferred revenue	593,338	-	-	593,338	532,204
<b>Total Liabilities</b>	<b>478,537</b>	<b>111,698</b>	<b>674,543</b>	<b>1,264,778</b>	<b>1,095,848</b>
<b>Net Assets</b>					
Without Donor Restrictions					
Unrestricted	1,609,333	8,463,426	-	10,072,759	10,034,535
Board designated - reserve funds	-	-	5,618,785	5,618,785	5,204,514
Capital contribution fund	-	-	498,676	498,676	415,302
	1,609,333	8,463,426	6,117,461	16,190,220	15,654,351
With Donor Restrictions	12,580	-	-	12,580	13,175
<b>Total Net Assets</b>	<b>1,621,913</b>	<b>8,463,426</b>	<b>6,117,461</b>	<b>16,202,800</b>	<b>15,667,526</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,100,450</b>	<b>\$ 8,575,124</b>	<b>\$ 6,792,004</b>	<b>\$ 17,467,578</b>	<b>\$ 16,763,374</b>

The accompanying notes are an integral part of this schedule.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Revenues and Expenses - By Fund**  
**For the Year Ended December 31, 2018 (with comparative totals for December 31, 2017)**

	<b>Operating Fund</b>	<b>Fixed Asset Fund</b>	<b>Reserve Fund</b>	<b>Totals 2018</b>	<b>Total 2017</b>
<b>Revenues</b>					
Assessments	\$ 6,331,132	\$ -	\$ -	\$ 6,331,132	\$ 6,219,391
Management fee income	814,389	-	-	814,389	794,258
Classes and other recreational programs	279,688	-	-	279,688	263,270
Pool memberships/rental fees	125,955	-	-	125,955	117,758
Advertising income	90,151	-	-	90,151	109,640
Investment income	5,416	-	176,067	181,483	158,131
Assessment collection fees	209,790	-	-	209,790	202,466
Capital contribution fee	315,169	-	-	315,169	191,089
Disclosure fees	156,250	-	-	156,250	143,719
Transfer fees	39,450	-	-	39,450	39,825
Other income	173,165	-	-	173,165	189,081
	<u>8,540,555</u>	<u>-</u>	<u>176,067</u>	<u>8,716,622</u>	<u>8,428,628</u>
<b>Expenses</b>					
Personnel and benefits	4,860,888	-	-	4,860,888	4,671,885
Business expenses	175,716	-	-	175,716	177,721
Office supplies	33,671	-	-	33,671	31,346
Program/maintenance supplies	127,800	-	-	127,800	133,810
Occupancy	295,438	-	-	295,438	308,555
Office expenses/service contracts	331,029	-	12,690	343,719	381,184
Equipment maintenance	40,838	-	38,641	79,479	78,536
Vehicle expenses	28,270	-	-	28,270	20,318
Financial and legal	153,575	-	44,880	198,455	154,876
Bad debt expense	60,000	-	-	60,000	-
Insurance	120,471	-	-	120,471	120,450
Printing	73,974	-	-	73,974	78,894
Landscape and maintenance	719,881	-	118,321	838,202	794,006
Depreciation and amortization	-	628,761	-	628,761	617,081
Other	2,026	-	-	2,026	85,950
	<u>7,023,577</u>	<u>628,761</u>	<u>214,532</u>	<u>7,866,870</u>	<u>7,654,612</u>
<b>Other Items</b>					
Realized/Unrealized gain (loss) on investments	-	-	(314,478)	(314,478)	240,670
Total Other Items	-	-	(314,478)	(314,478)	240,670
<b>Interfund Transfers: To / (From)</b>					
Invested in property and equipment	5,195	(720,694)	715,499	-	-
Contributions to reserves	1,250,918	-	(1,250,918)	-	-
Capital Contribution	315,169	-	(315,169)	-	-
Total interfund transfers	<u>1,571,282</u>	<u>(720,694)</u>	<u>(850,588)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>\$ (54,304)</u>	<u>\$ 91,933</u>	<u>\$ 497,645</u>	<u>\$ 535,274</u>	<u>\$ 1,014,686</u>

The accompanying notes are an integral part of this schedule.



**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Revenues and Expenses - Operating Fund**  
**For the Year Ended December 31, 2018 (with comparative totals for December 31, 2017)**

	<b>Montgomery Village Foundation Fund</b>	<b>User Fee Fund</b>	<b>Designated Users Facilities Fund</b>	<b>Poplar Spring Fund</b>	<b>Community Management Fund</b>	<b>Total Operating Fund 2018</b>	<b>Total 2017</b>
<b>Revenues</b>							
Assessments	\$ 2,873,204	\$ -	\$ 3,455,692	\$ 2,236	\$ -	\$ 6,331,132	\$ 6,219,391
Management fee income	-	-	-	-	814,389	814,389	794,258
Classes and other recreation programs	-	279,688	-	-	-	279,688	263,270
Pool memberships/rental fees	-	-	125,955	-	-	125,955	117,758
Advertising income	90,151	-	-	-	-	90,151	109,640
Investment income	2,708	-	2,708	-	-	5,416	3,492
Assessment collection fees	101,254	-	108,536	-	-	209,790	202,466
Capital contribution fee	315,169	-	-	-	-	315,169	191,089
Disclosure fees	93,190	-	-	-	63,060	156,250	143,719
Transfer fees	37,500	-	-	-	1,950	39,450	39,825
Other income	123,312	11,702	-	-	38,151	173,165	189,081
Total Revenues	<u>3,636,488</u>	<u>291,390</u>	<u>3,692,891</u>	<u>2,236</u>	<u>917,550</u>	<u>8,540,555</u>	<u>8,273,989</u>
<b>Expenses</b>							
Direct expenses							
Personnel and benefits	2,983,802	138,656	1,104,803	-	633,627	4,860,888	4,671,885
Business expenses	91,910	66,756	8,414	-	8,636	175,716	177,721
Office supplies	30,206	9	109	-	3,347	33,671	31,346
Program/maintenance supplies	31,420	9,733	86,647	-	-	127,800	133,810
Occupancy	78,369	60	213,853	-	3,156	295,438	308,555
Office expenses/service contracts	276,007	663	36,653	1,002	16,704	331,029	376,193
Equipment maintenance	18,195	4,081	18,562	-	-	40,838	25,788
Vehicle expenses	22,488	20	5,762	-	-	28,270	20,318
Financial and legal	128,090	14,751	7,190	-	3,544	153,575	118,092
Bad debt expense	35,000	-	25,000	-	-	60,000	-
Insurance	54,005	15,056	38,175	-	13,235	120,471	120,450
Printing	73,499	-	-	-	475	73,974	78,894
Landscape and maintenance	477,948	-	240,072	1,861	-	719,881	730,170
Other	5,034	-	(3,008)	-	-	2,026	85,950
Total direct expenses	<u>4,305,973</u>	<u>249,785</u>	<u>1,782,232</u>	<u>2,863</u>	<u>682,724</u>	<u>7,023,577</u>	<u>6,879,172</u>
Allocable expenses	(1,206,706)	45,947	1,007,131	-	153,628	-	-
Invested in property and equipment	-	-	5,195	-	-	5,195	107,201
Contributions to reserve	333,731	-	917,187	-	-	1,250,918	1,089,959
Capital Contribution	315,169	-	-	-	-	315,169	191,089
Total Expenses	<u>3,748,167</u>	<u>295,732</u>	<u>3,711,745</u>	<u>2,863</u>	<u>836,352</u>	<u>8,594,859</u>	<u>8,267,421</u>
<b>Change in Net Assets</b>	<u>\$ (111,679)</u>	<u>\$ (4,342)</u>	<u>\$ (18,854)</u>	<u>\$ (627)</u>	<u>\$ 81,198</u>	<u>\$ (54,304)</u>	<u>\$ 6,568</u>

The accompanying notes are an integral part of this schedule.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Changes in Net Assets Without Donor Restrictions**  
**For the Year Ended December 31, 2018**

	<b>Montgomery Village Foundation Fund</b>	<b>User Fee Fund</b>	<b>Capital Contribution Fund</b>	<b>Designated Users Facilities Fund</b>	<b>Poplar Spring Fund</b>	<b>Community Management Fund</b>	<b>Fixed Asset Fund</b>	<b>Total All Funds</b>
<b>Unrestricted:</b>								
Balance, January 1, 2018	\$ 753,344	\$ 334,272	\$ -	\$ 359,831	\$ (306)	\$ 215,900	\$ 8,371,494	\$ 10,034,535
Inflows	3,636,488	291,390	-	3,692,891	2,236	917,550	720,694	9,261,249
Outflows	<u>(3,748,167)</u>	<u>(295,732)</u>	<u>-</u>	<u>(3,711,745)</u>	<u>(2,863)</u>	<u>(836,352)</u>	<u>(628,761)</u>	<u>(9,223,620)</u>
Change in net assets & other transfers	(111,679)	(4,342)	-	(18,854)	(627)	81,198	91,933	37,629
Net assets released from restrictions	<u>595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>595</u>
Change in net assets & other transfers	<u>(111,084)</u>	<u>(4,342)</u>	<u>-</u>	<u>(18,854)</u>	<u>(627)</u>	<u>81,198</u>	<u>91,933</u>	<u>38,224</u>
Balance, December 31, 2018	<u>\$ 642,260</u>	<u>\$ 329,930</u>	<u>\$ -</u>	<u>\$ 340,977</u>	<u>\$ (933)</u>	<u>\$ 297,098</u>	<u>\$ 8,463,427</u>	<u>\$ 10,072,759</u>
<b>Board Designated - Reserve Funds:</b>								
Balance, January 1, 2018	\$ 3,385,946	\$ -	\$ 415,302	\$ 1,818,568	\$ -	\$ -	\$ -	\$ 5,619,816
Inflows	246,955	-	320,295	860,426	-	-	-	1,427,676
Outflows	<u>(258,231)</u>	<u>-</u>	<u>(236,921)</u>	<u>(434,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(930,031)</u>
Change in net assets & other transfers	<u>(11,276)</u>	<u>-</u>	<u>83,374</u>	<u>425,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,645</u>
Balance, December 31, 2018	<u>\$ 3,374,670</u>	<u>\$ -</u>	<u>\$ 498,676</u>	<u>\$ 2,244,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,117,461</u>

The accompanying notes are an integral part of this schedule.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Investment Performance**  
**For the Year Ended December 31, 2018**

Asset Class	Benchmark Index	Investment Return	Benchmark Return
<b>Equities</b>	Large Cap (Standard & Poors 500 Index)	-8.2%	-4.4%
	Small Cap (Russell 2000 Index)	-11.1%	-11.0%
	International (MSCI ACWI ex USA IMI)	-13.3%	-14.8%
	<b>Total</b>	<b>-9.4%</b>	<b>-9.1%</b>
<b>Fixed Income</b>	Barclays Intermediate Govt/Credit Bond Index	1.1%	0.9%
<b>Inflation Hedges</b>	50% Barclays TIPS/35% FTSE NAREIT/15% Bloomberg Comm Index	-2.2%	-3.5%
<b>Cash &amp; Currency</b>	Merrill Lynch 90-Day Treasury Bills Index	1.5%	1.9%
<b>Overall Investment Performance, net of fees</b>		<b>-2.8%</b>	<b>-3.1%</b>

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Investments**  
**December 31, 2018**

	Tax Cost	Fair Market Value
<b>Certificates of Deposit</b>	\$ 200,000	\$ 201,337
<b>Treasury Securities &amp; Federal Agencies</b>		
Federal Agencies	120,198	118,382
United States Treasury Notes & Bonds	1,761,661	1,731,830
<b>subtotal</b>	1,881,859	1,850,212
<b>Corporate Grade Bonds</b>	1,930,898	1,890,610
<b>Inflation Hedges</b>		
Ishares Cohen & Steers Reit ETF	115,656	112,160
Ishares Tips Bond ETF	58,967	56,726
<b>subtotal</b>	174,623	168,886
<b>Equities, by sub asset classification</b>		
Communication Services	57,006	52,971
Consumer Discretionary	60,418	56,408
Consumer Staples	77,972	81,226
Energy	131,329	127,726
Equity Fund	579,677	607,340
Financials	306,293	306,077
Health Care	171,492	209,692
Industrials	106,957	113,941
Information Technology	89,802	117,917
Utilities	70,175	86,043
<b>subtotal</b>	1,651,121	1,759,341
<b>Total Investments</b>	<b>\$ 5,838,501</b>	<b>\$ 5,870,386</b>

The accompanying notes are an integral part of this schedule.

**MONTGOMERY VILLAGE FOUNDATION, INC.**  
**Schedule of Future Major Repairs and Replacements**  
**December 31, 2018**

The Board of Directors has reviewed, approved and adopted the common property replacement analysis into their annual budget. Replacement cost amounts are determined by methods used by an architect firm specializing in such activities. A study was performed in March 2014 by DMA. Replacement costs were based on the estimated costs to repair and replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effect of inflation between the date of the study and the date that the components will require repair or replacement.

Estimated current replacement costs have been updated by Montgomery Village Foundation financial staff each year as part of the annual budget process; however, only a limited number of components included in the study are evaluated during this process. Additionally, new assets purchased and existing components that have been replaced since 2007 are also updated for current cost during the budgeting process.

The following table is based on information contained in the study concerning the components of common property. The data contained below is for informational purposes only and has not been subjected to auditing procedures:

	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>Net Assets 1/1/2018</b>	<b>2018 Total Revenue</b>	<b>2018 Reserve Contribution</b>	<b>2018 Expenditures/ Transfers</b>	<b>Net Assets 12/31/2018</b>
<u>Montgomery Village Foundation Fund:</u>							
Grounds		\$ 4,780,300					
Buildings		1,557,801					
Equipment		1,184,396					
Other		<u>189,941</u>					
Total Montgomery Village Foundation Fund	1 - 50	<u>7,712,438</u>	\$ 3,385,946	\$ (86,776)	\$ 333,731	\$ (258,231)	\$ 3,374,670
<u>Designated User Facilities Fund:</u>							
Grounds		3,129,705					
Buildings		5,721,941					
Equipment		248,425					
Pools		11,844,725					
Other		<u>76,078</u>					
Total Designated User Facilities Fund	1 - 50	<u>21,020,874</u>	<u>1,818,568</u>	<u>(56,761)</u>	<u>917,187</u>	<u>(434,879)</u>	<u>2,244,115</u>
Totals		<u>\$ 28,733,312</u>	<u>\$ 5,204,514</u>	<u>\$ (143,537)</u>	<u>\$ 1,250,918</u>	<u>\$ (693,110)</u>	<u>\$ 5,618,785</u>

As of December 31, 2018, the Foundation had bank and investment accounts established for the future major repairs and replacements with year end balances of \$6,200,208.

The accompanying notes are an integral part of this schedule.