



MONTGOMERY VILLAGE FOUNDATION, INC.

10120 APPLE RIDGE ROAD
MONTGOMERY VILLAGE, MARYLAND 20886-1000

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February 26, 2021

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 7:00 p.m. on Tuesday, March 2, 2021 as a virtual meeting, please see call instructions after the agenda.

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

DS/jh

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

Tuesday, March 2, 2021

7:00 P.M.

Virtual Meeting (see call instructions below)

AGENDA

1. Residents' Time
2. Call to Order
3. Chairman's Remarks
4. Review and Approve Minutes from the November 10, 2020 Meeting (enclosure)
5. Presentation of 2020 MVF Draft Financials & related reports – Michele Mills, DeLeon & Stang
 - a. Recommendation to MVF board to accept the 2020 Audit Report and accompanying Financial Statements
6. Recommendation to the MVF board for the Audit Committee Chair for 2021.
7. Other Business
8. Adjournment

How to connect to the Montgomery Village Foundation Audit Committee meeting Thursday, March 2, 2020 | 7:00 p.m.

In light of the COVID-19 health emergency, the Montgomery Village Foundation (MVF) Audit Committee is holding a virtual committee meeting for the month of March. This meeting will discuss regular business and include a portion for Residents Time. Please follow the instructions below to participate in the meeting.

Thank you in advance for your patience.

To access the meeting

By Phone

- Dial: **425-436-6364**
- Access Code: **468503***

Please note that due to high call volumes, you may get a busy signal when trying to connect. Please hang up and try again.

If you are unable to connect after several attempts, text the words “**CALL ME**” to the dial in number (**425-436-6364**). When you are called back, you will need to enter the access code. You can also text the word “**HELP**” to the dial in number to receive alternate numbers to call in with.

Alternatively, you can download the **freeconferencecall.com** app and use it to connect on your phone over Wi-Fi, bypassing the need to use a phone carrier. Simply click “**+New**” and enter the dial in number and access code in the appropriate boxes.

By computer or tablet

- Navigate to <https://join.freeconferencecall.com/mconroy60>
- Use your device audio
- Do not activate video

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**MINUTES OF MEETING
MONTGOMERY VILLAGE FOUNDATION
Audit Committee
November 10, 2020**

A regular virtual meeting of the Montgomery Village Foundation Audit Committee was held remotely at 7:00 p.m. on Tuesday, November 10, 2020.

Audit Committee Members Present Members

Keith Silliman, Chairperson
Brenda Yombo
Barbara St. John
Matthew Gianfrancesco
Ricardo Camacho, Board Liaison
Bob Carey, Treasurer
Ellen Gaston

Absent

Alina Cabrejas

Others Present

David Humpton, Executive Vice President
Michael Conroy, Assistant Executive Vice President
Daniel Salazar, Chief Financial Officer
Mirna Rivas, Senior Accountant
1 Resident

1. Residents' Time

There were no resident comments.

2. Call to Order

Mr. Silliman called the meeting to order at 7:04 p.m.

3. Review and approve minutes from the March 3, 2020 meeting

Ms. Yombo moved to approve the minutes of the August 18, 2020 meeting with the correction that Ellen Gaston is added to the present member's list. The motion was seconded and passed unanimously.

4. Discuss three items from Barbara St. John

Ms. St. John has brought three requests before the committee tonight. She is requesting MVF to allow pool use for all MVF Condominiums. Secondly, Ms. St. John suggests MVF collect all assessments from condominium residents directly (direct billing). And lastly, she suggests changes to the financial reports.

Mr. Silliman reiterated that these issues were previously discussed at the last audit committee meeting in August. The MVF Board was also given the materials and decided not to pursue any of the three recommendations. Mr. Silliman proposed that a motion be set forth to resubmit the material back to the Board of Directors for reconsideration.

Ms. St. John motioned to discuss and develop a recommendation to the Board on her three items. The motion was not seconded; the motion failed.

5. Retirement 401(k) Plan Audit

Mr. Salazar gave a PowerPoint presentation noting that 401(k) audits originated from the Employee Retirement Income Security Act of 1974 (ERISA), which requires retirement plans offered by companies to comply with government regulations, requiring certain 401(k) plans to be audited. Mr. Salazar noted that the requirement for a 401(k) audit was having over 100 participants in the plan. Since MVF has between 50-70 participants, it does not have to conduct a 401(k) audit, which currently it does every three years. He noted that MVF started conducting the 401(k) audits as a result of an employee who was embezzling participant funds. He said that there are some limitations with the current audit procedures and the timing of the audit. Although there are adequate controls around the 401(k) funding and administration, Mr. Salazar proposed to the committee that the three-year 401(k) audit be replaced with annual agreed-upon procedures and incorporated into MVF's annual financial statement audit. Mr. Salazar noted that unlike a regular audit in which the auditor decides the testing and scope, an agreed-upon procedures engagement is left to the client (MVF) to design the tests to be performed as well as the sample size.

Mr. Salazar went over some examples of testing that could be used which included: verifying contributions at an individual level are being correctly sent to Fidelity; testing to see if election changes are done timely and accurately; testing that remittance is done in a timely manner; recalculation of the employer 6% match; and loan testing.

Mr. Carey asked if timely remittance to Fidelity testing would also include consistency of the remittance since this is what the Department of Labor looks for during their 401(k) audits. Mr. Salazar responded that we would control the testing and would incorporate consistency into the remittance testing. Ms. Yombo asked to see if there would be any cost savings from doing away with the 401(k) audit and switching to a yearly agreed-upon procedure. Mr. Salazar responded that pricing would depend on the testing procedures developed and scope of project, but that it would be flexible enough to potentially reduce the overall costs. Mr. Camacho asked the staff if the agreed-upon procedure testing could be done every three years. Mr. Salazar replied that in his opinion, the testing should be done on an annual basis as to deter any potential mismanagement of the retirement fund, which was the very reason a 401(k) audit was conducted in the first place.

Mr. Silliman moved to recommend to the MVF Board to no longer perform the 401(k) audit every three years and direct MVF to create agreed-upon procedures that will be tested along with our yearly financial statement audit. The motion was seconded and passed unanimously.

6. Solicit suggestion from committee members for future Audit Committee topics.

Ms. St. John proposed that a new committee be set up to review all new changes happening in the community including: new units being built; improvement of office technology/software; and a potential charter change to abolish the MVF assessment ceiling which is currently \$24.29. Mr. Silliman recommended that perhaps she should put this suggestion in a memo for the MVF Board to review. Mr. Camacho offered to reach out to Ms. St. John to discuss her thoughts further offline.

7. Other Business

Ms. St. John brought attention to the committee that she has an archived copy of the 1973 annual report, in case any member of the Board of Directors would like to review it.

8. Adjournment

Ms. Gaston moved to adjourn the meeting at 7:54 p.m. The motion was seconded and passed unanimously.

There being no further business, the meeting was adjourned at 7:54 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.

Daniel Salazar
Chief Financial Officer

**Motion List
Audit Committee
November 10, 2020**

- 1. Ms. Yombo moved to approve the minutes of the August 18, 2020 meeting with the correction to add Ellen Gaston to the present member's list. The motion was seconded and passed unanimously.**

- 2. Ms. St. John motioned to discuss and develop a recommendation to the Board on her three items. Motion was not seconded; motion failed.**

- 3. Mr. Silliman moved to recommend to the MVF Board to no longer perform the 401(k) audit every three years and direct MVF to create agreed-upon procedures that will be tested along with our yearly financial statement audit. The motion was seconded and passed unanimously.**

- 4. Ms. Gaston moved to adjourn the meeting at 7:54 p.m. The motion was seconded and passed unanimously.**



March ____, 2021

Board of Directors
Montgomery Village Foundation, Inc.

We have audited the financial statements of Montgomery Village Foundation, Inc. for the year ended December 31, 2020, and have issued our report thereon dated March ____, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Montgomery Village Foundation, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for uncollectible accounts is based on an analysis of the collectability of the delinquent assessment accounts. We have evaluated the key factors and assumptions used to develop the allowance in determining that this is reasonable in relation to the financial statements taken as a whole. As of December 31, 2020, the allowance for uncollectible accounts is \$217,855.

Management's estimate of the useful lives of fixed assets owned is an estimate that is particularly sensitive. We have evaluated the estimated useful lives of the various classes of assets and they appear reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

As disclosed in Note 2, 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, 2020, management did not identify any uncertain tax positions.

As disclosed in Note 12, the total amount of capital contribution fees collected and transferred to the reserve fund as of December 31, 2020 was \$183,570. Net of expenses to date, the Fund has an accumulated value of \$709,572.

As disclosed in Note 13, the Foundation maintains cash balances at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation. As of December 31, 2020, the carrying amount of the Foundation's assessment checking account balance at Community Association Bank was \$334,562, leaving \$84,562 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 Investment Protection Corporation at December 31, 2020.

As disclosed in Note 15, the Foundation contributed \$146,698 to the 401(k) plan for the year ended December 31, 2020.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March ____, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Foundation’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Montgomery Village Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

DeLeon and Stang, CPAs and Advisors
Frederick, Maryland



Montgomery Village Foundation, Inc.

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

For the Years Ended December 31, 2020 and 2019

Montgomery Village Foundation, Inc.
For the Years Ended December 31, 2020 and 2019

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

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, 2020. 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 \$19,854,302 as of December 31, 2020, an increase of \$2,572,493 over December 31, 2019. (page 9)
- The change in the Total MVF Fund net assets (i.e., net income) for 2020 was an increase of \$2,572,493 compared to an increase in 2019 of \$1,079,015. Additionally, Operating Fund net assets were \$2,338,520, an increase of \$1,126,818 vs. a decrease of \$410,208 in 2019. The MVF/UF Fund contributed \$775,695 of the total budgeted use of undesignated reserves of \$270,375; exceeding the expectations by \$1,046,070. (page 9, 31, 32, 33)

<u>Change in Net Assets:</u>			
	Actual	Budget	Prior Year
MVF/UF	775,645	(270,375)	(445,568)
DU	204,931	(100,038)	(21,004)
CM/PS	146,242	12,454	56,364
Operating Fund	1,126,818	(357,959)	(410,208)
FA Fund	446,874	4,249,623	305,948
Reserve Fund	998,801	(3,297,468)	1,183,275
Total MVF	2,572,493	594,197	1,079,015

- As of December 31, 2020, the Foundation reported undesignated net assets of \$11,547,509 (Operating Fund \$2,331,261 and Fixed Asset Fund \$9,216,248). Within the total net assets without donor restrictions are Board designated net assets of \$7,589,968 for reserve replacements and \$709,572 for Capital Contribution Fee projects. Net assets with donor restrictions are \$7,259 as of year-end. (page 30, 33)
- The Foundation’s cash and cash equivalents and investments as of December 31, 2020 were \$3,974,390 and \$6,964,898, respectively. (page 9, note 3, note 4)

- The Foundation’s assessments receivable increased \$192,816 in 2020 and now stand at a net realizable value of \$763,612 vs. \$570,796 in 2019. The increase from last year is mainly attributed to two condominiums that are part of the legal case which stopped paying their assessments in June 2019. Included in this amount is a \$217,855 allowance for doubtful accounts. Despite the challenging year, the delinquency rate has increased by 1.5% in 2020, ending at 9.3% versus last year’s 7.8%, ending much lower than management anticipated. (page 22, note 6)
- During 2020, MVF’s reserve investment portfolio performed well this year, gaining 9.4% but not quite as high as 2019’s gain of 11.5% (both net of advisory fees). Equity securities were the top performers with an average gain of 19.2% outperforming their benchmark of 17.0%, with an allocation of 37% of the \$7.6M portfolio. The portfolio has returned a total of \$651,493 in 2020, accounting for 36% of the total \$1,814,024 of net investment change since inception. (page 34)
- Capital Contribution fees (CCF) received through December 31, 2020 were \$183,570 as compared to \$165,864 in 2019. The \$183,570 exceeded the budget of \$150,000 by \$33,570 and also surpassed last year’s CCF revenues by \$17,706. (page 10)
- The 2020 Contribution to Reserves was \$1,303,807 as budgeted. This reflects the contribution necessary to maintain the Reserve Fund pursuant to the MVF Board’s decision to fund the Reserve at 75% of the 30-year projected replacement cost per the 2019 updates to the original Reserve Study done in 2014. (page 27, note 12)
- Capital expenditures for the year ended 2020 totaled \$1,099,875 vs. \$937,055 in 2019 and a 2020 budget of \$4,858,335. 2020 actual capital expenses included (page 31):

	MVF	DU	CCF	TOTAL
○ Asphalt Repairs	65,000	15,809	-0-	\$80,809
○ Futsal/Pickleball	-0-	-0-	72,804	\$72,804
○ Lake Marion Shoreline Stabilization	69,535	-0-	-0-	\$69,535
○ North Creek Pool Renovation	-0-	703,899	-0-	\$703,899
○ Tennis Court Resurfacing	-0-	24,400	-0-	\$24,400
○ Vehicle Purchases	72,903	-0-	-0-	\$72,903
○ Watkins Mill Repurposing	-0-	17,396	3,490	\$20,886
○ North Creek Lake Park Tot lot	25,805	-0-	-0-	\$25,805
○ Other	12,368	16,465	-0-	\$28,833
	\$245,611	\$777,969	\$76,294	\$1,099,874

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 13 of this report.

The *statement of functional expenses* presents expenses by their functions (programs and management and general) and by the nature and type of expense. The statement functional expenses 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 14-29 of this report.

Included on pages 30 through 35 is additional information that 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 MVF Board of Directors adopts an annual budget. The 2020 budget included a \$.80 increase (per unit per month) for the Designated Users Fund assessment and a \$.49 increase (per unit per month) to the Montgomery Village Foundation Fund assessment. The 2020 budget provided funds for a 2.5% general salary increase and a Contribution to Reserves of \$1,303,807. The 2020 operating and reserve budgets continued funding for core services including administrative/management services, architectural review and inspections of residential and commercial properties; recreation programs, services and facilities including special events, parks and playgrounds maintenance, and communication activities including the *Village News*, specialty publications and MVF-owned-websites. The Reserve budget included funds to repair or replace MVF infrastructure including pathway and parking lot overlays, tennis court resurfacing, playground, pool equipment, computer replacement and the renovation of the North Creek Pool.

The following table summarizes the Revenues and Expenses of the Operating Fund of the Foundation for the year ended December 31, 2020 as compared to the adopted budget and 2019 comparative totals.

Statement of Revenues and Expenses - Operating Fund – Budget and prior year vs 2020 results

	For the year ended December 31, 2020	2020 Adopted Budget	For the year ended December 31, 2019
Assessments	6,675,107	6,675,107	6,530,329
Assessment collection fees	197,434	204,000	197,989
Management fee income	829,414	815,032	806,608
Classes/other recreational programs	87,540	383,857	381,472
Advertising income	33,936	87,500	82,630
Investment income	5,278	5,000	14,020
Capital contribution fee	-0-	150,000	-0-
Other income	883,258	352,033	359,816
Total Revenues	8,711,967	8,672,529	8,372,864

Statement of Revenues and Expenses - Operating Fund – Budget and prior year vs 2020 results (Continued)

Expenses:

Personnel and benefits	4,441,732	5,237,125	5,130,951
Business Expenses	88,224	202,116	179,670
Office Supplies	27,318	40,200	36,343
Program/maintenance supplies	104,587	134,450	151,799
Occupancy	275,605	346,635	324,598
Office expenses/service contracts	295,218	330,060	306,606
Equipment maintenance	4,397	33,950	33,859
Vehicle expenses	14,635	29,160	24,978
Financial & legal	176,565	189,900	277,555
Bad debt expense	60,000	60,000	60,000
Insurance	128,417	127,845	124,179
Printing	36,162	53,450	64,587
Landscape & maintenance	610,909	774,094	742,155
Other expenses	6,018	7,695	8,979
Total Expenses	6,269,787	7,566,680	7,466,259

Income before Interfund transfers **2,442,180** **1,105,849** **906,605**

Interfund transfers:

Invested in property and equipment	11,555	10,000	5,195
Contributions to reserves	1,303,807	1,303,808	1,311,618
Capital contribution fee	-0-	150,000	-0-
Total interfund transfers	1,315,362	1,463,808	1,316,813

Change in Net Assets **1,126,818** **(357,959)** **(410,208)**

With the above results, the December 31, 2020 net asset balances of the five Operating sub-funds are (page 33):

	Operating	Reserve
Montgomery Village Foundation Fund	\$1,130,193	\$ 4,793,852
User Fee Fund	177,342	
Designated Users Fund	524,904	3,505,688
Community Management Fund	500,387	
Poplar Spring Fund	(1,616)	
Total Fund Balances, 12/31/20	\$2,331,210	\$ 8,299,540

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

Assessment Revenue – Assessment revenue came in on budget. The Designated Users Fund increased \$.80 to \$38.42 per unit per month and the MVF Fund assessment increased \$.49 to \$21.52 per unit per month.

Advertising Revenue – The unfavorable variance is mostly due from sponsorship revenues. Because of the pandemic, most special events in 2020 were cancelled and in turn, MVF did not have any sponsorships. Of total advertising revenues, sponsorships normally make up about 40%. Newspaper and website advertisements also saw a reduction in sales in 2020.

Pool Membership/Fees – The unfavorable variance is due to restrictions on capacity and operations at the MVF pools resulting in no sale of pool membership passes, also to comply with the county executive orders, MVF did not offer community centers rentals.

Camps & Classes Revenue – Due to COVID-19, camps & classes took place but at a significantly scaled down manner and with much lower demand than other years. Classes were also heavily impacted and despite all efforts of staff to pivot and offer alternative classes which adhere to HHS guidelines, MVF was not able to meet budgeted revenues.

Other Revenues – This increase was due to employer payroll credits that MVF was entitled to as a result of both the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES).

Personnel & Benefit costs – The favorable personnel cost budget variance comes from the furloughing of 24 employees who were unable to perform their job duties when the MVF office was closed due to the state’s stay-at-home order, additional savings came from several open full-time positions during the year. There were also fewer temporary staff needed since the pool season was shortened and less lifeguards were needed due to COVID-19 restrictions.

Utilities – The favorable variance in utilities is coming from a drop in electricity and water expenses as the main office was closed in March and reopened in stages from May - June. All community centers have also been closed since March resulting in much less use of electricity and water.

Business Expenses – The favorable variance is primarily due to a significant reduction in costs for paying instructor lead classes, summer performances and camps. There was also a reduction in training expenses due to the office closures and social distancing requirements in the office.

Office Expenses/Service Contracts – The favorable variance is a result of the funds budgeted for Montgomery County’s electronic legal filing conversion, which has been delayed by the county until 2021 and less postage and delivery costs.

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 \$157,855 to \$217,855, 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 cancelled MVF events, savings on snow removal and buildings and ballfields repair & maintenance.

Capital contribution fee (CCF) Revenue/Expense – CCF revenue was reclassified from the operating fund to the reserve fund for 2020. As described in the Organization’s by-laws, CCF revenue is not to be utilized for operations and is reserved for future capital improvements. As such, management has determined that CCF revenue is better presented as a direct revenue stream of the Reserve Fund, instead of an interfund transfer between the Operating Fund and Reserve Fund. Accordingly, a zero is shown above in the operating fund Statement of Revenues and Expenses for 2020. This change has no impact on the overall net income of either fund.

We wish to extend a special thank you to all the MVF staff involved with the audit and our auditors from Deleon & Stang returning to perform our first virtual audit. Also, thanks to the MVF Audit Committee and MVF Board of Directors for their participation and assistance throughout 2020.

Respectfully submitted,

David B. Humpton
Executive Vice President

Daniel Salazar
Chief Financial Officer

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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery Village Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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.

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
March _____, 2021

MONTGOMERY VILLAGE FOUNDATION, INC.

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents (see note 3)	\$ 3,974,390	\$ 2,494,115
Investments (see note 4)	6,964,898	6,571,106
Accounts receivable, net (see note 6)	889,662	679,277
Prepaid expenses	48,581	51,838
Property and equipment, net (see note 8)	<u>9,317,555</u>	<u>8,875,877</u>
Total Assets	<u>\$ 21,195,086</u>	<u>\$ 18,672,213</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 172,290	\$ 204,454
Accrued salaries and benefits	259,084	219,983
Due to homes corporations	138,353	233,290
Deferred revenue (see note 9)	669,744	626,168
Sunstream capital lease (see note 16)	<u>101,307</u>	<u>106,503</u>
Total Liabilities	1,340,778	1,390,398
 Net Assets (see note 2, 11 and 12)		
Without donor restrictions	19,847,049	17,274,504
With donor restrictions	<u>7,259</u>	<u>7,311</u>
Total Net Assets	<u>19,854,308</u>	<u>17,281,815</u>
Total Liabilities and Net Assets	<u>\$ 21,195,086</u>	<u>\$ 18,672,213</u>

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, 2020 and 2019

	2020	2019
Revenue and Other Support Without Donor Restrictions		
Assessments		
Montgomery Village Foundation	\$ 2,940,062	\$ 2,873,204
Designated Users	3,732,580	3,654,857
Poplar Spring	2,465	2,268
Total Assessments	6,675,107	6,530,329
Management fee income	829,414	806,608
Classes and other recreational programs	60,304	227,069
Pool memberships/rental fees	27,236	154,403
Advertising income	33,936	82,630
Investment income	155,297	193,380
Assessment collection fees	197,434	197,989
Capital contribution fee	183,570	165,864
Disclosure fees	178,439	156,286
Transfer fees	40,560	35,849
FFCRA/ERC (CARES) credits	569,258	-
Other income	94,926	167,556
Total Revenue and Other Support Without Donor Restrictions	9,045,481	8,717,963
Net assets released from restriction	128	5,394
Total Revenue and Other Support Without Donor Restrictions and Reclassifications	9,045,609	8,723,357
Expenses		
Personnel and benefits	4,441,732	5,130,951
Business expenses	88,224	179,670
Office supplies	27,318	36,343
Program/maintenance supplies	104,587	151,799
Occupancy	275,605	324,598
Office expenses/service contracts	303,270	306,606
Equipment maintenance	6,495	55,977
Vehicle expenses	14,635	24,978
Financial and legal	214,535	314,971
Bad debt expense	60,000	60,000
Insurance	128,417	124,179
Printing	36,162	64,587
Landscape and maintenance	661,308	806,606
Depreciation and amortization	653,000	631,107
Other	6,018	8,979
Total Expenses	7,021,306	8,221,351
Change in Net Assets Without Donor Restrictions Before Other Items	2,024,303	502,006
Other Items		
Realized/unrealized gain on investments	548,243	582,278
Total Other Items	548,243	582,278
Change in Net Assets Without Donor Restrictions	2,572,546	1,084,284
Net Assets With Donor Restrictions		
Restricted donations	75	125
Released from restriction	(128)	(5,394)
Change in Net Assets With Donor Restrictions	(53)	(5,269)
Change in Net Assets	2,572,493	1,079,015
Net Assets, beginning of year	17,281,815	16,202,800
Net Assets, end of year	\$ 19,854,308	\$ 17,281,815

The accompanying notes are an integral part of these statements.

MONTGOMERY VILLAGE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program Expenses</u>					<u>Supporting Expenses</u>		Total Expenses
	Government Affairs & Communications	Parks/Recreation & Maintenance - MVF	Parks/Recreation & Maintenance - DU	Community Mgmt. & Poplar Spring	Architectural Compliance	Total Program Expense	Management & General	
Expenses								
Personnel and benefits	\$ 316,370	\$ 774,818	\$ 985,840	\$ 580,203	\$ 473,721	\$ 3,130,952	\$ 1,310,780	\$4,441,732
Business expenses	224	38,749	8,420	15,951	204	63,548	24,676	88,224
Office supplies	6,641	5,755	38	4,507	796	17,737	9,581	27,318
Program/maintenance supplies	-	12,676	86,479	-	-	99,155	5,432	104,587
Occupancy	1,209	17,453	207,421	3,164	493	229,740	45,865	275,605
Office expenses/service contracts	33,692	29,776	35,114	20,030	11,385	129,997	173,273	303,270
Equipment maintenance	-	2,843	3,597	-	-	6,440	55	6,495
Vehicle expenses	-	11,220	1,980	10	591	13,801	834	14,635
Financial and legal	313	26,134	20,318	3,507	-	50,272	164,263	214,535
Bad debt expense	-	-	25,000	-	-	25,000	35,000	60,000
Insurance	6,475	46,938	42,404	13,516	7,660	116,993	11,424	128,417
Printing	19,763	3,077	-	564	-	23,404	12,758	36,162
Landscape and maintenance	-	417,671	217,769	1,218	-	636,658	24,650	661,308
Depreciation and amortization	3,795	182,243	386,511	136	582	573,267	79,733	653,000
Other	1,170	-	335	-	-	1,505	4,513	6,018
Allocations	64,600	(351,024)	923,024	138,464	-	775,064	(775,064)	-
Total Expenses	<u>\$ 454,252</u>	<u>\$ 1,218,329</u>	<u>\$ 2,944,250</u>	<u>\$ 781,270</u>	<u>\$ 495,432</u>	<u>\$ 5,893,533</u>	<u>\$ 1,127,773</u>	<u>\$7,021,306</u>

The accompanying notes are an integral part of these statements.

MONTGOMERY VILLAGE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Expenses</u>					<u>Supporting Expenses</u>		Total Expenses
	Government Affairs & Communications	Parks/Recreation & Maintenance - MVF	Parks/Recreation & Maintenance - DU	Community Mgmt. & Poplar Spring	Architectural Compliance	Total Program Expense	Management & General	
Expenses								
Personnel and benefits	\$ 420,264	\$ 978,926	\$ 1,231,174	\$ 636,979	\$ 557,161	\$ 3,824,504	\$ 1,306,447	\$5,130,951
Business expenses	2,194	114,198	13,651	10,293	2,253	142,589	37,081	179,670
Office supplies	8,220	8,909	430	4,339	1,441	23,339	13,004	36,343
Program/maintenance supplies	-	46,314	102,907	1	-	149,222	2,577	151,799
Occupancy	1,213	30,463	242,861	3,158	474	278,169	46,429	324,598
Office expenses/service contracts	33,784	25,163	36,372	20,722	12,977	129,018	177,588	306,606
Equipment maintenance	-	24,464	28,082	-	-	52,546	3,431	55,977
Vehicle expenses	-	19,032	3,869	-	1,236	24,137	841	24,978
Financial and legal	322	35,554	26,640	14,108	-	76,624	238,347	314,971
Bad debt expense	-	-	25,000	-	-	25,000	35,000	60,000
Insurance	6,642	44,234	40,974	13,125	7,655	112,630	11,549	124,179
Printing	43,306	8,839	-	530	-	52,675	11,912	64,587
Landscape and maintenance	-	504,139	271,567	2,105	-	777,811	28,795	806,606
Depreciation and amortization	3,756	171,112	389,861	291	482	565,502	65,605	631,107
Other	1,277	-	653	-	-	1,930	7,049	8,979
Allocations	64,531	(346,575)	943,325	139,481	-	800,762	(800,762)	-
Total Expenses	<u>\$ 585,509</u>	<u>\$ 1,664,772</u>	<u>\$ 3,357,366</u>	<u>\$ 845,132</u>	<u>\$ 583,679</u>	<u>\$ 7,036,458</u>	<u>\$ 1,184,893</u>	<u>\$8,221,351</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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,572,493	\$ 1,079,015
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	653,000	631,107
Provision for uncollectible accounts	60,000	60,000
Realized/unrealized (gain) on investments	(548,243)	(582,278)
Change in operating assets and liabilities:		
Accounts receivable	(270,385)	(157,174)
Prepaid expenses	3,257	9,107
Accounts payable	(32,164)	30,652
Due to homes corporations	(94,937)	36,688
Deferred revenue	43,576	32,830
Accrued salaries and benefits	39,101	30,645
	2,425,698	1,170,592
Cash Flows from Investing Activities:		
Proceeds from sale of investments	268,216	2,455,473
Purchase of investments	(213,765)	(2,573,914)
Proceeds from redemption of certificate of deposit	100,000	-
Construction in progress - current year	(676,472)	(167,448)
Purchase of property and equipment	(418,206)	(764,412)
	(940,227)	(1,050,301)
Cash Flows from Financing Activities:		
Payments on capital lease	(5,196)	(5,195)
	(5,196)	(5,195)
Increase in cash and cash equivalents	1,480,275	115,096
Cash and cash equivalents, beginning of year	2,494,115	2,379,019
Cash and cash equivalents, end of year	\$ 3,974,390	\$ 2,494,115
Supplemental Information:		
Cash paid for interest	\$ 7,458	\$ 7,816
Cash paid for taxes	\$ -	\$ -

The accompanying notes are an integral part of these statements.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

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 sub-funds. The five operating sub-funds include:

Montgomery Village Foundation Sub-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 Sub-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 Sub-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 Sub-Fund

This Fund provides recreation activities for a fee.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1- NATURE OF OPERATIONS (Continued)

Community Management Sub-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 two 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, 2020 and 2019

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, 2020 and 2019 was \$217,855 and \$179,620, respectively. Bad debt expense for the years ended December 31, 2020 and 2019 was \$60,000. Write offs for the years ended December 31, 2020 and 2019 were \$29,894 and \$59,888, respectively.

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, 2020 and 2019

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, 2020 and 2019 was \$653,000 and \$631,107, 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 2020 or 2019.

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, 2020 and 2019, management did not identify any uncertain tax positions.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019. 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 2017.

Revenues

Assessments – 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. The Foundation recognizes assessment revenue from members when billed, which corresponds to the year in which the services are rendered.

Management Fees – The Foundation provides management services, at cost, to the homes corporations and condominium associations within Montgomery Village that contract for the service. Management fees are recognized as the related performance obligations are satisfied over time of the annual period of the contract using the input method.

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.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 3- CASH AND CASH EQUIVALENTS

The following is a schedule of cash and money market balances at December 31, 2020 and 2019:

	<u>2020 Balance</u>	<u>Interest Rate</u>	<u>2019 Balance</u>	<u>Interest Rate</u>
Petty cash	\$ 750	-	\$ 750	-
Checking:				
M&T	118,847	-	141,112	-
Community Association Banc	<u>1,970,384</u>	-	<u>924,220</u>	-
	2,089,231		1,065,332	
Money market and savings accounts:				
Bank of Charles Town	815,413	0.35%	627,771	1.75%
Bank of Charles Town	461,830	0.35%	456,552	1.75%
Bank of Charles Town	<u>1,003</u>	0.05%	<u>1,002</u>	0.05%
	1,278,246		1,085,325	
Deposits in brokerage account:				
Wilmington Trust	<u>606,163</u>	-	<u>342,708</u>	-
Total cash and cash equivalents	<u>\$ 3,974,390</u>		<u>\$ 2,494,115</u>	

NOTE 4- INVESTMENTS

The following is a summary of the investments at December 31, 2020:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Treasury Securities & Federal Agencies	\$ 1,940,461	\$ 2,063,153	\$ 122,692
Corporate Grade Bonds	1,915,734	2,009,295	93,561
Inflation Hedges	174,623	192,417	17,794
Equities	<u>1,926,069</u>	<u>2,700,033</u>	<u>773,964</u>
	<u>\$ 5,956,887</u>	<u>\$ 6,964,898</u>	<u>\$ 1,008,011</u>

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 4- INVESTMENTS (Continued)

The following is a summary of the maturities of the investments at December 31, 2020:

<u>Matures</u>	<u>Treasury Securities & Federal Agencies</u>	<u>Certificates of Deposit</u>	<u>Corporate Grade Bonds</u>	<u>Equities & Inflation Hedges</u>	<u>Total</u>
n/a	\$ -	\$ -	\$ -	\$ 2,892,450	\$ 2,892,450
2021	-	-	126,909	-	126,909
2022	193,736	-	415,152	-	608,888
2023	318,773	-	359,916	-	678,689
2024	413,517	-	185,243	-	598,760
2025	333,041	-	291,241	-	624,282
Thereafter	804,086	-	630,834	-	1,434,920
Total	<u>\$ 2,063,153</u>	<u>\$ -</u>	<u>\$ 2,009,295</u>	<u>\$ 2,892,450</u>	<u>\$ 6,964,898</u>

At December 31, 2020, the current yield to maturity on the treasury securities and federal agencies range from 0.13% to 3.13%, and the current yield to maturity on the corporate grade bonds range 0.48% to 4.25%.

The following is a summary of the investments at December 31, 2019:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Certificates of Deposit	\$ 100,000	\$ 100,200	\$ 200
Treasury Securities & Federal Agencies	1,979,591	2,029,738	50,147
Corporate Grade Bonds	1,878,939	1,926,251	47,312
Inflation Hedges	174,623	197,496	22,873
Equities	1,966,751	2,317,421	350,670
	<u>\$ 6,099,904</u>	<u>\$ 6,571,106</u>	<u>\$ 471,202</u>

The following is a summary of the maturities of the investments at December 31, 2019:

<u>Matures</u>	<u>Treasury Securities & Federal Agencies</u>	<u>Certificates of Deposit</u>	<u>Corporate Grade Bonds</u>	<u>Equities & Inflation Hedges</u>	<u>Total</u>
n/a	\$ -	\$ -	\$ -	\$ 2,514,917	\$ 2,514,917
2020	-	100,200	216,170	-	316,370
2021	196,930	-	337,042	-	533,972
2022	311,246	-	376,873	-	688,119
2023	368,805	-	293,232	-	662,037
2024	390,925	-	199,385	-	590,310
Thereafter	761,832	-	503,549	-	1,265,381
Total	<u>\$ 2,029,738</u>	<u>\$ 100,200</u>	<u>\$ 1,926,251</u>	<u>\$ 2,514,917</u>	<u>\$ 6,571,106</u>

At December 31, 2019, the current yield to maturity on the treasury securities and federal agencies range from 1.58% to 1.90%, while the current yield to maturity on the corporate grade bonds range 1.78% to 2.73%, and the current yield to maturity on the certificates of deposit is 3.64%.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

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.

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.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury Securities	\$ -	\$ 1,811,424	\$ -	\$ 1,811,424
Federal Agencies	-	251,729	-	251,729
Equities & Inflation Hedges	2,892,450	-	-	2,892,450
Corporate Grade Bonds	-	2,009,295	-	2,009,295
	<u>\$ 2,892,450</u>	<u>\$ 4,072,448</u>	<u>\$ -</u>	<u>\$ 6,964,898</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 100,200	\$ -	\$ 100,200
Treasury Securities	-	1,978,967	-	1,978,967
Federal Agencies	-	50,771	-	50,771
Equities & Inflation Hedges	2,514,917	-	-	2,514,917
Corporate Grade Bonds	-	1,926,251	-	1,926,251
	<u>\$ 2,514,917</u>	<u>\$ 4,056,189</u>	<u>\$ -</u>	<u>\$ 6,571,106</u>

NOTE 6- ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Assessments	\$ 981,467	\$ 750,416
Allowance for doubtful accounts	(217,855)	(179,620)
Management and maintenance fees	50,907	21,549
Accrued interest	25,859	30,774
Other	49,284	56,158
	<u>\$ 889,662</u>	<u>\$ 679,277</u>

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 7- LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end		
Cash & Cash Equivalents	\$ 3,974,390	\$ 2,494,115
Investments	6,964,898	6,571,106
Accounts Receivable	889,662	679,277
Total financial assets	<u>11,828,950</u>	<u>9,744,498</u>
Less those unavailable for general expenditures within one year, due to:		
Board designated reserves for future contingencies	(1,262,571)	(4,743,646)
Board designated CCF reserves for future contingencies	(200,000)	(200,000)
Board designated Operating capital for future contingencies	-	(10,000)
Remaining expenditures for capital project - North Creek pool	<u>(3,155,847)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,210,532</u>	<u>\$ 4,800,852</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 the \$6,964,898 and \$6,571,106 , respectively in investments for reserve items as of December 31, 2020 and 2019, 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, 2020 and 2019, the Foundation had \$1,278,246 and \$1,085,325, respectively, in funds with BCT.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 8- PROPERTY AND EQUIPMENT, NET

Property and equipment were as follows at December 31:

	<u>Useful life</u>	<u>2020</u>	<u>2019</u>
Montgomery Village Foundation:			
Office furniture and equipment	3-15 years	\$ 995,887	\$ 1,025,940
Improvements - parks and lakes	5-30 years	4,674,706	4,496,576
Administrative & maintenance facility	5-50 years	<u>1,322,228</u>	<u>1,298,800</u>
		6,992,821	6,821,316
Designated Users Facilities:			
Improvements - community centers	3-30 years	2,431,985	2,446,646
Solar generation facility (capital lease)	25 years	129,881	129,881
Improvements - pools	5-30 years	5,960,270	6,112,440
Improvements - tennis courts	5-40 years	<u>391,341</u>	<u>404,534</u>
		<u>8,913,477</u>	<u>9,093,501</u>
Total property and equipment		15,906,298	15,914,817
Construction in progress		859,571	183,098
Less: Accumulated depreciation & amortization		<u>(7,448,314)</u>	<u>(7,222,038)</u>
Property and equipment, net		<u>\$ 9,317,555</u>	<u>\$ 8,875,877</u>

NOTE 9- DEFERRED REVENUE

Deferred revenue at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Class fees	\$ 9,160	\$ 15,606
Assessments	659,315	609,768
Advertising	<u>1,269</u>	<u>794</u>
	<u>\$ 669,744</u>	<u>\$ 626,168</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, 2020 and 2019

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 basketball court
Stedwick Community Center and tot lot	Whetstone Community Center
Stedwick Pool	
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
Clubside 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, 2020 and 2019

NOTE 11- NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Specific Purpose		
Band Fund	\$ 2,289	\$ 2,416
Vibraphone Fund	200	125
Cricket Pitch Fund	<u>4,770</u>	<u>4,770</u>
Total	<u>\$ 7,259</u>	<u>\$ 7,311</u>

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

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 11,547,509	\$ 9,973,766
Board-Designated Reserve Funds		
Montgomery Village Foundation Fund	4,084,280	3,717,868
Capital Contribution Fund	709,572	595,938
Designated Users Facilities Fund	<u>3,505,688</u>	<u>2,986,932</u>
Total	<u>\$ 19,847,049</u>	<u>\$ 17,274,504</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions		
Band Fund	\$ 128	\$ 164
Cricket Pitch Fund	-	5,230
Total	<u>\$ 128</u>	<u>\$ 5,394</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, 2020 and 2019

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>2020</u>	<u>2019</u>
Contributions		
MVF Reserve	\$ 287,000	\$ 337,636
DU Reserve	<u>1,016,807</u>	<u>973,982</u>
	<u>1,303,807</u>	<u>1,311,618</u>
Capital outlay costs		
MVF Reserve	241,371	374,353
DU Reserve	770,654	480,498
CCF Reserve	<u>76,294</u>	<u>77,009</u>
	<u>\$ 1,088,319</u>	<u>\$ 931,860</u>

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, 2020 and 2019 was \$183,570 and \$165,864, respectively. Net of expenses to date, the Fund has an accumulated value of \$709,572.

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, 2020, the carrying amount of the Foundation's assessment checking account balance at Community Association Bank was \$334,562, leaving \$84,562 uninsured. As of December 31, 2019, the carrying amount of the Foundation's assessment checking account balance at Community Association Bank was \$463,630, leaving \$213,630 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, 2020 and 2019.

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

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 14- CONTINGENCIES AND UNCERTAINTIES

Litigation

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.

Global Pandemic

U.S. and global business and financial markets have been severely impacted by the ongoing Coronavirus pandemic. The potential impacts on the Foundation's future revenues, expenses and cash flows cannot be determined at this time.

NOTE 15- 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 \$146,698 and \$158,115 for the years ended December 31, 2020 and 2019, respectively.

NOTE 16- 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.

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, 2020 and 2019, interest expense was \$7,458 and \$7,816 respectively.

MONTGOMERY VILLAGE FOUNDATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 16- LEASE PAYABLE (Continued)

The following is a schedule of the future minimum payments required under the lease as of December 31, 2020:

2021	\$	5,195
2022		5,195
2023		5,195
2024		5,195
2025		5,195
Thereafter		<u>75,332</u>
	\$	<u>101,307</u>

NOTE 17- 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 ____, 2021, 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, 2020 (with comparative totals for December 31, 2019)

	<u>Operating Fund</u>	<u>Fixed Asset Fund</u>	<u>Reserve Fund</u>	<u>Total All Funds 2020</u>	<u>Total 2019</u>
Assets					
Cash and cash equivalents	\$ 2,551,811	\$ -	\$ 1,422,579	\$ 3,974,390	\$ 2,494,115
Investments	-	-	6,964,898	6,964,898	6,571,106
Accounts receivable, net	847,184	-	42,478	889,662	679,277
Prepaid Expenses	48,581	-	-	48,581	51,838
Construction in progress	-	859,571	-	859,571	183,097
Property and equipment	-	15,906,298	-	15,906,298	15,914,818
Less: Accumulated depreciation	-	(7,448,314)	-	(7,448,314)	(7,222,038)
Property and equipment, net	-	<u>9,317,555</u>	-	<u>9,317,555</u>	<u>8,875,877</u>
Total Assets	<u>\$ 3,447,576</u>	<u>\$ 9,317,555</u>	<u>\$ 8,429,955</u>	<u>\$ 21,195,086</u>	<u>\$ 18,672,213</u>
Liabilities and Net Assets					
Liabilities					
Interfund transactions	\$ (130,415)	\$ -	\$ 130,415	\$ -	\$ -
Accounts payable	172,290	-	-	172,290	204,454
Sunstream capital lease	-	101,307	-	101,307	106,503
Accrued salaries and benefits	259,084	-	-	259,084	219,983
Due to homes corporations	138,353	-	-	138,353	233,290
Deferred revenue	<u>669,744</u>	<u>-</u>	<u>-</u>	<u>669,744</u>	<u>626,168</u>
Total Liabilities	1,109,056	101,307	130,415	1,340,778	1,390,398
Net Assets					
Without Donor Restrictions					
Undesignated	2,331,261	9,216,248	-	11,547,509	9,973,766
Board designated - reserve funds	-	-	7,589,968	7,589,968	6,704,800
Capital contribution fund	<u>-</u>	<u>-</u>	<u>709,572</u>	<u>709,572</u>	<u>595,938</u>
	2,331,261	9,216,248	8,299,540	19,847,049	17,274,504
With Donor Restrictions	<u>7,259</u>	<u>-</u>	<u>-</u>	<u>7,259</u>	<u>7,311</u>
Total Net Assets	<u>2,338,520</u>	<u>9,216,248</u>	<u>8,299,540</u>	<u>19,854,308</u>	<u>17,281,815</u>
Total Liabilities and Net Assets	<u>\$ 3,447,576</u>	<u>\$ 9,317,555</u>	<u>\$ 8,429,955</u>	<u>\$ 21,195,086</u>	<u>\$ 18,672,213</u>

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, 2020 (with comparative totals for December 31, 2019)

	Operating Fund	Fixed Asset Fund	Reserve Fund	Totals 2020	Total 2019
Revenues					
Assessments	\$ 6,675,107	\$ -	\$ -	\$ 6,675,107	\$ 6,530,329
Management fee income	829,414	-	-	829,414	806,608
Classes and other recreational programs	60,304	-	-	60,304	227,069
Pool memberships/rental fees	27,236	-	-	27,236	154,403
Advertising income	33,936	-	-	33,936	82,630
Investment income	5,278	-	150,019	155,297	193,380
Assessment collection fees	197,434	-	-	197,434	197,989
Capital contribution fee	-	-	183,570	183,570	165,864
Disclosure fees	178,439	-	-	178,439	156,286
Transfer fees	40,560	-	-	40,560	35,849
FFCRA/ERC (CARES) credits	569,258	-	-	569,258	-
Other income	95,001	-	-	95,001	167,681
	<u>8,711,967</u>	<u>-</u>	<u>333,589</u>	<u>9,045,556</u>	<u>8,718,088</u>
Expenses					
Personnel and benefits	4,441,732	-	-	4,441,732	5,130,951
Business expenses	88,224	-	-	88,224	179,670
Office supplies	27,318	-	-	27,318	36,343
Program/maintenance supplies	104,587	-	-	104,587	151,799
Occupancy	275,605	-	-	275,605	324,598
Office expenses/service contracts	295,218	-	8,052	303,270	306,606
Equipment maintenance	4,397	-	2,098	6,495	55,977
Vehicle expenses	14,635	-	-	14,635	24,978
Financial and legal	176,565	-	37,970	214,535	314,971
Bad debt expense	60,000	-	-	60,000	60,000
Insurance	128,417	-	-	128,417	124,179
Printing	36,162	-	-	36,162	64,587
Landscape and maintenance	610,909	-	50,399	661,308	806,606
Depreciation and amortization	-	653,000	-	653,000	631,107
Other	6,018	-	-	6,018	8,979
	<u>6,269,787</u>	<u>653,000</u>	<u>98,519</u>	<u>7,021,306</u>	<u>8,221,351</u>
Other Items					
Realized/Unrealized gain (loss) on investments	-	-	548,243	548,243	582,278
Total Other Items	<u>-</u>	<u>-</u>	<u>548,243</u>	<u>548,243</u>	<u>582,278</u>
Interfund Transfers: To / (From)					
Invested in property and equipment	11,555	(1,099,874)	1,088,319	-	-
Contributions to reserves	1,303,807	-	(1,303,807)	-	-
Total interfund transfers	<u>1,315,362</u>	<u>(1,099,874)</u>	<u>(215,488)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 1,126,818</u>	<u>\$ 446,874</u>	<u>\$ 998,801</u>	<u>\$ 2,572,493</u>	<u>\$ 1,079,015</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, 2020 (with comparative totals for December 31, 2019)

	Montgomery Village Foundation Sub-Fund	User Fee Sub-Fund	Designated Users Facilities Sub-Fund	Poplar Spring Sub-Fund	Community Management Sub-Fund	Total Operating Fund 2020	Total 2019
Revenues							
Assessments	\$ 2,940,062	\$ -	\$ 3,732,580	\$ 2,465	\$ -	\$ 6,675,107	\$ 6,530,329
Management fee income	-	-	-	-	829,414	829,414	806,608
Classes and other recreation programs	-	60,304	-	-	-	60,304	227,069
Pool memberships/rental fees	-	-	27,236	-	-	27,236	154,403
Advertising income	33,936	-	-	-	-	33,936	82,630
Investment income	2,639	-	2,639	-	-	5,278	14,020
Assessment collection fees	93,870	-	103,564	-	-	197,434	197,989
Disclosure fees	106,476	-	-	-	71,963	178,439	156,286
Transfer fees	38,910	-	-	-	1,650	40,560	35,849
FFCRA/ERC (CARES) credits	569,258	-	-	-	-	569,258	-
Other income	56,072	5,712	-	-	33,217	95,001	167,681
Total Revenues	<u>3,841,223</u>	<u>66,016</u>	<u>3,866,019</u>	<u>2,465</u>	<u>936,244</u>	<u>8,711,967</u>	<u>8,372,864</u>
Expenses							
Direct expenses							
Personnel and benefits	2,803,217	72,470	985,842	-	580,203	4,441,732	5,130,951
Business expenses	41,192	22,662	8,419	-	15,951	88,224	179,670
Office supplies	22,471	303	37	-	4,507	27,318	36,343
Program/maintenance supplies	13,676	4,433	86,478	-	-	104,587	151,799
Occupancy	64,959	60	207,421	-	3,165	275,605	324,598
Office expenses/service contracts	238,889	1,185	35,114	1,090	18,940	295,218	306,606
Equipment maintenance	2,898	-	1,499	-	-	4,397	33,859
Vehicle expenses	12,646	-	1,979	-	10	14,635	24,978
Financial and legal	166,074	5,650	1,334	-	3,507	176,565	277,555
Bad debt expense	35,000	-	25,000	-	-	60,000	60,000
Insurance	58,105	14,391	42,405	-	13,516	128,417	124,179
Printing	35,598	-	-	-	564	36,162	64,587
Landscape and maintenance	420,592	-	189,098	1,219	-	610,909	742,155
Other	5,682	-	336	-	-	6,018	8,979
Total direct expenses	<u>3,920,999</u>	<u>121,154</u>	<u>1,584,962</u>	<u>2,309</u>	<u>640,363</u>	<u>6,269,787</u>	<u>7,466,259</u>
Allocable expenses	(1,242,312)	40,513	1,052,004	-	149,795	-	-
Invested in property and equipment	2,120	2,120	7,315	-	-	11,555	5,195
Contributions to reserve	287,000	-	1,016,807	-	-	1,303,807	1,311,618
Capital contribution	-	-	-	-	-	-	-
Total Expenses	<u>2,967,807</u>	<u>163,787</u>	<u>3,661,088</u>	<u>2,309</u>	<u>790,158</u>	<u>7,585,149</u>	<u>8,783,072</u>
Change in Net Assets	<u>\$ 873,416</u>	<u>\$ (97,771)</u>	<u>\$ 204,931</u>	<u>\$ 156</u>	<u>\$ 146,086</u>	<u>\$ 1,126,818</u>	<u>\$ (410,208)</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, 2020

	Montgomery Village Foundation Sub-Fund	User Fee Sub-Fund	Capital Contribution Sub-Fund	Designated Users Facilities Sub-Fund	Poplar Spring Sub-Fund	Community Management Sub-Fund	Fixed Asset Fund	Total All Funds
Undesignated:								
Balance, January 1, 2020	\$ 256,777	\$ 275,113	\$ -	\$ 319,973	\$ (1,772)	\$ 354,301	\$ 8,769,374	\$ 9,973,766
Inflows	3,841,146	66,016	-	3,866,019	2,465	936,244	1,099,874	9,811,764
Outflows	<u>(2,967,807)</u>	<u>(163,787)</u>	<u>-</u>	<u>(3,661,088)</u>	<u>(2,309)</u>	<u>(790,158)</u>	<u>(653,000)</u>	<u>(8,238,149)</u>
Change in net assets & other transfers	873,339	(97,771)	-	204,931	156	146,086	446,874	1,573,615
Net assets released from restrictions	<u>128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128</u>
Change in net assets & other transfers	<u>873,467</u>	<u>(97,771)</u>	<u>-</u>	<u>204,931</u>	<u>156</u>	<u>146,086</u>	<u>446,874</u>	<u>1,573,743</u>
Balance, December 31, 2020	<u>\$ 1,130,244</u>	<u>\$ 177,342</u>	<u>\$ -</u>	<u>\$ 524,904</u>	<u>\$ (1,616)</u>	<u>\$ 500,387</u>	<u>\$ 9,216,248</u>	<u>\$ 11,547,509</u>
Board Designated - Reserve Funds:								
Balance, January 1, 2020	\$ 3,717,868	\$ -	\$ 595,938	\$ 2,986,932	\$ -	\$ -	\$ -	\$ 7,300,738
Inflows	654,945	-	191,530	1,339,164	-	-	-	2,185,639
Outflows	<u>(288,533)</u>	<u>-</u>	<u>(77,896)</u>	<u>(820,408)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,186,837)</u>
Change in net assets & other transfers	<u>366,412</u>	<u>-</u>	<u>113,634</u>	<u>518,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>998,802</u>
Balance, December 31, 2020	<u>\$ 4,084,280</u>	<u>\$ -</u>	<u>\$ 709,572</u>	<u>\$ 3,505,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,299,540</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, 2020

Asset Class	Benchmark Index	Investment Return	Benchmark Return
Equities	Large Cap (Standard & Poors 500 Index/Russell 1000 Value Index)	19.6%	18.4%
	Small Cap (Russell 2000 Index)	20.0%	20.0%
	International (MSCI ACWI ex USA IMI)	18.6%	11.1%
	Total	19.2%	17.0%
Fixed Income	Barclays Intermediate Govt/Credit Bond Index	6.5%	6.4%
Inflation Hedges	Barclays TIPS/FTSE NAREIT/Bloomberg Comm Index	-0.5%	3.7%
Cash & Currency	Merrill Lynch 90-Day Treasury Bills Index	0.3%	0.7%
Overall Investment Performance, net of fees		9.4%	11.1%

MONTGOMERY VILLAGE FOUNDATION, INC.
Schedule of Investments
December 31, 2020

	Tax Cost	Fair Market Value
Treasury Securities & Federal Agencies		
Federal Agencies	\$ 249,930	\$ 251,729
United States Treasury Notes & Bonds	<u>1,690,531</u>	<u>1,811,424</u>
subtotal	1,940,461	2,063,153
Corporate Grade Bonds	1,915,734	2,009,295
Inflation Hedges		
Ishares Cohen & Steers Reit ETF	115,656	126,295
Ishares Tips Bond ETF	<u>58,967</u>	<u>66,122</u>
subtotal	174,623	192,417
Equities, by sub asset classification		
Communication Services	113,994	133,957
Consumer Discretionary	157,451	215,732
Consumer Staples	78,026	107,456
Energy	43,515	36,105
Equity Fund	598,112	881,753
Financials	132,614	176,276
Health Care	194,422	261,659
Industrials	119,603	163,595
Information Technology	301,707	502,799
International Developed	72,142	96,061
Materials	52,612	60,723
Real Estate	38,862	38,607
Utilities	<u>23,009</u>	<u>25,310</u>
subtotal	<u>1,926,069</u>	<u>2,700,033</u>
Total Investments	<u>\$ 5,956,887</u>	<u>\$ 6,964,898</u>

The accompanying notes are an integral part of this schedule.

MONTGOMERY VILLAGE FOUNDATION, INC.
Schedule of Future Major Repairs and Replacements
December 31, 2020

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:

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Net Assets 1/1/2020	2020 Total Revenue	2020 Reserve Contribution	2020 Expenditures/ Transfers	Net Assets 12/31/2020
<u>Montgomery Village Foundation Sub-Fund:</u>							
Grounds		\$ 4,780,300					
Buildings		1,557,801					
Equipment		1,184,396					
Other		<u>189,941</u>					
Total Montgomery Village Foundation Sub-Fund	1 - 50	<u>7,712,438</u>	\$ 3,717,868	\$ 367,945	\$ 287,000	\$ (288,533)	\$ 4,084,280
<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 Sub-Fund	1 - 50	<u>21,020,874</u>	<u>2,986,932</u>	<u>322,357</u>	<u>1,016,807</u>	<u>(820,408)</u>	<u>3,505,688</u>
Totals		<u>\$ 28,733,312</u>	<u>\$ 6,704,800</u>	<u>\$ 690,302</u>	<u>\$ 1,303,807</u>	<u>\$ (1,108,941)</u>	<u>\$ 7,589,968</u>

As of December 31, 2020, the Foundation had bank and investment accounts established for the future major repairs and replacements with year end balances of \$7,571,061.

The accompanying notes are an integral part of this schedule.