

**THE FRIENDS OF
VALLEY FORGE PARK**



**FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 & 2014**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Friends of Valley Forge Park
King of Prussia, Pennsylvania

We have audited the accompanying financial statements of The Friends of Valley Forge Park, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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.

Auditor's 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 of 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 The Friends of Valley Forge Park, as of September 30, 2015 and 2014, 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.

J.M. Bartholomew & Co.

J.M. Bartholomew & Co.
West Chester, Pennsylvania

January 22, 2016

THE FRIENDS OF VALLEY FORGE PARK

Statements of Financial Position

September 30, 2015 and 2014

	2015	2014
<i>ASSETS</i>		
Current assets		
Cash	\$ 55,313	\$ 35,376
Investments – at fair value	312,617	316,298
Accounts receivable	-	96
Total assets	\$ 367,930	\$ 351,770
<i>LIABILITIES AND NET ASSETS</i>		
Current liabilities		
Accrued expenses	\$ 19,021	\$ 19,021
Total liabilities	19,021	19,021
Net assets		
Unrestricted	140,288	174,545
Temporarily restricted	162,439	112,022
Permanently restricted	46,182	46,182
Total net assets	348,909	332,749
Total liabilities and net assets	\$ 367,930	\$ 351,770

See independent auditor's report and notes to financial statements

THE FRIENDS OF VALLEY FORGE PARK

Statements of Activities and Net Assets
September 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Funding Appeal/Annual Appeal	\$ 30,160	\$ -	\$ -	\$ 30,160	\$ 25,518	\$ -	\$ -	\$ 25,518
Donation Boxes	7,971	-	-	7,971	10,466	-	-	10,466
Funding Projects	7,911	-	-	7,911	6,575	-	-	6,575
Gifts	11,188	-	-	11,188	17,866	5,690	-	23,556
Investment Income	(5,067)	(7,258)	-	(12,325)	14,053	7,677	-	21,730
Membership Dues	44,428	-	-	44,428	40,428	-	-	40,428
Program Income	3,845	-	-	3,845	7,698	-	-	7,698
Speaker Series	-	5,000	-	5,000	1,634	4,500	-	6,134
NEFF Grant	-	5,000	-	5,000	-	5,000	-	5,000
Renovation Sterling Quarters	-	1,714	-	1,714	-	2,298	-	2,298
Restricted Funds - MB/Redoubt	-	25,000	-	25,000	-	-	-	-
July 4th Event	-	5,000	-	5,000	-	-	-	-
School Transportation	-	5,000	-	5,000	-	-	-	-
Rev Run Funds	-	35,000	-	35,000	-	20,000	-	20,000
Total Support and Revenue	<u>100,436</u>	<u>74,456</u>	<u>-</u>	<u>174,892</u>	<u>124,238</u>	<u>45,165</u>	<u>-</u>	<u>169,403</u>
Net Assets Released from Restrictions	24,039	(24,039)	-	-	36,043	(36,043)	-	-
Total Support and Revenue and Net Assets Released From Restrictions	<u>124,475</u>	<u>50,417</u>	<u>-</u>	<u>174,892</u>	<u>160,281</u>	<u>9,122</u>	<u>-</u>	<u>169,403</u>
Expenses:								
Program Service Expenses	149,340	-	-	149,340	143,761	-	-	143,761
General and Administrative Expenses	9,392	-	-	9,392	9,606	-	-	9,606
Total Expenses	<u>158,732</u>	<u>-</u>	<u>-</u>	<u>158,732</u>	<u>153,367</u>	<u>-</u>	<u>-</u>	<u>153,367</u>
Increase (Decrease) in Net Assets	<u>(34,257)</u>	<u>50,417</u>	<u>-</u>	<u>16,160</u>	<u>6,914</u>	<u>9,122</u>	<u>-</u>	<u>16,036</u>
Net Assets, Beginning of Year	<u>174,545</u>	<u>112,022</u>	<u>46,182</u>	<u>332,749</u>	<u>167,631</u>	<u>102,900</u>	<u>46,182</u>	<u>316,713</u>
Net Assets, End of Year	<u>\$ 140,288</u>	<u>\$ 162,439</u>	<u>\$ 46,182</u>	<u>\$ 348,909</u>	<u>\$ 174,545</u>	<u>\$ 112,022</u>	<u>\$ 46,182</u>	<u>\$ 332,749</u>

See independent auditor's report and notes to financial statements

THE FRIENDS OF VALLEY FORGE PARK

Statements of Cash Flows

September 30, 2015 and 2014

	2015	2014
<i>Cash provided (used) by operating activities</i>		
Increase (decrease) in net assets	\$ 16,160	\$ 16,036
Adjustments to reconcile increase in net assets to cash provided by (used in) operations		
(Increase) decrease in:		
Accounts receivable	96	1,704
Decrease (increase) in:		
Accrued expenses	-	(9,501)
<i>Net cash provided (used) by operating activities</i>	16,256	8,239
<i>Net cash provided (used) by investing activities</i>		
(Increase) decrease in marketable securities	3,681	(3,782)
Increase (decrease) in cash	19,937	4,457
Cash at beginning of year	35,376	30,919
Cash and Cash Equivalents, End of Year	\$ 55,313	\$ 35,376

See independent auditor's report and notes to financial statements

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Friends of Valley Forge Park (the Organization or FOVF) was formed in 1976 for the purpose of benefitting the public and supplementing and supporting the work of governmental agencies in connection with and promotion, utilization and preservation of Valley Forge Park. During 2009, The Valley Forge Historical Society was merged into The Friends of Valley Forge Park.

The mission of the Organization is to advocate for Valley Forge National Historical Park, to enhance the visitor experience and to promote public appreciation of the Park's historic, environmental and recreational resources.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its guidance on Financial Statements of *Not-for-Profit Organizations*. Accordingly, contributions, other revenues and expenses, assets, liabilities and net assets are classified as permanently restricted, temporarily restricted, or unrestricted, depending primarily upon the existence or absence of donor-imposed restrictions. The net asset balances of each of these classes are displayed in the statement of financial position, and the changes therein are reflected in the statement of activities. Changes in cash and cash equivalents are reported in the statement of cash flows. Following is a further description of these categories:

- *Unrestricted net assets* – Net assets that are available for the support of operations and whose use is not externally restricted by donors or the donor-imposed restrictions have expired. Use of these funds may be limited by factors including contracts or board designation.
- *Temporarily restricted net assets* – Net assets that are subject to donor-imposed restrictions or stipulations that can be fulfilled by actions of the FOVF pursuant to those stipulations or which expire due to the length of time imposed on the restrictions. Temporarily restricted net assets as of September 30, 2015 and 2014 include gifts for which donor-imposed restrictions have been met and will be released from restrictions as the funds are received.

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(1) CONTINUED

- *Permanently restricted net assets* – Net assets containing donor-imposed requiring that the corpus (principal) be in perpetuity, while the investment income be used to support the operational expenses. During the audit of the 2011 financial statements, the Organization conducted extensive research into the classification of permanently restricted net assets. The research concluded permanently restricted net assets reported in the past had included both corpus and appreciation. As such, the FOVF reclassified the income generated by the trustee fund as temporarily restricted assets during the year-ended September 30, 2011 audit. Permanently restricted net assets reflect only corpus as of September 30, 2015 and 2014.

Cash and Cash Equivalents

FOVF considers all highly liquid investments with an original maturity of three months or less, to be cash equivalents. Cash as of September 30, 2015 and 2014 consists of cash on hand, checks to be deposited and demand deposit accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant management estimates and assumptions relate to the determination of the Organization's accrual for the Redoubt/Muhlenberg Project, which are reported as \$19,021 for both September 30, 2015 and 2014.

Uncertain Tax Positions

FOVF is a not-for-profit corporation and has been recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and the Commonwealth Act of May 5, 1933, known as the Nonprofit Corporation Law.

The Organization has no income subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions that are material to the financial statements. As such, no provision for income taxes has been recorded in the accompanying financial statements.

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(1) CONTINUED

The Organization's federal Exempt Organization Information Returns (form 990) for tax periods ended September 30, 2014, 2013 and 2012 will remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.

The Organization's policy for any penalties and interest that may be assessed by income taxing authorities is to include them in general and administrative expenses.

Statements of Cash Flows

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Credit and Market Risk

Financial instruments which potentially subject FOVF to a concentration of credit and market risk consist of cash and investments. The Organization manages the credit risk associated with cash equivalents and investments by investing its portfolio with high quality banking institutions and investment managers. The Organization's investments are managed by Girard Partners (See Note 5, Related Party Disclosures, for a more detailed description), whose performance is reviewed by the Board of Directors.

Investments

Investments in marketable securities are reported at their fair values, based on quoted market prices in the statements of financial position. Changes in fair value are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. Unrealized gains and losses on investments are excluded from revenues, but included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Any gain or loss on the sale of investments is based on specific identification on the date of the transaction. Interest and dividend income received from investments is recorded as earned.

Revenue Recognition and Contributions

FOVF records cash contributions as revenue when received. Contributions, including pledges and unconditional promises to give, if any, are recorded at their fair value when the Organization is notified of these gifts.

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(1) CONTINUED

Grants

FOVF records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred.

Volunteers and Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time in conjunction with the Organization's programs and services. The value of these contributions is not included in these financial statements, since they are not susceptible to objective measurement.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) RESTRICTIONS ON NET ASSETS

Permanently restricted net assets at September 30, 2015 and 2014 consist of the trustee's fund established in 1980 devoted to the preservation, development and enjoyment of Valley Forge National Historic Park. Contributions to the trustee's fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expensed for the preservation, development and enjoyment of Valley Forge National Historic Park. In accordance with donor restrictions, contributions to the fund are classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate. The appreciation of the historic dollar value is classified as temporarily restricted net assets. For temporarily restricted net assets, when the purpose restriction is met, the net assets are reclassified to unrestricted net assets.

The donor-restricted fund is invested in money market accounts and mutual funds pursuant to the Organization's objectives of preservation, development and enjoyment of Valley Forge National Historic Park.

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(2) CONTINUED

The composition of net assets for the trustee's fund and the changes in endowment net assets as of September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Balance at October 1	\$ 128,238	\$ 120,561
Unrealized gain (loss) on securities	(7,258)	7,677
Fund balance at September 30	<u>120,980</u>	<u>128,238</u>
Less: amount classified as temporarily restricted	<u>(74,798)</u>	<u>(82,056)</u>
Permanently restricted net assets	<u>\$ 46,182</u>	<u>\$ 46,182</u>

(3) INVESTMENT RETURN

Investments are stated at fair value and consist of mutual funds. The following schedule summarizes the investment return and its classification in the Statements of Activities and Net Assets as of September 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Interest/Dividends	\$ 18,847	\$ 11,255
Realized gain (loss) on sale of securities	12,843	5,320
Unrealized holding gain (loss) on securities	<u>(36,757)</u>	<u>(2,522)</u>
Total investment returns	<u>\$ (5,067)</u>	<u>\$ 14,053</u>

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(4) FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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 three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used for the years ended September 30, 2015 and 2014.

- Mutual funds – account balances are valued at quoted market prices as of year-end

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value as of September 30, 2015 and 2014. The Organization does not own any Level 2 or Level 3 assets for the years ended September 30, 2015 or 2014.

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(4) CONTINUED

Fair Value Measurement by Classification Level:

<i>September 30, 2015</i>	Quoted Prices in Active Markets (Level 1)	Total
Investments – Mutual Funds		
Corporate Bond Funds	\$ 149,557	\$ 149,557
Emerging Market Funds	18,542	18,542
Large Cap Funds	87,507	87,507
Mid Cap Funds	44,535	44,535
Small Cap Funds	12,476	12,476
<hr/>		
Total Investments - Mutual Funds	<u>\$ 312,617</u>	<u>\$ 312,617</u>
 <i>September 30, 2014</i>		
Investments - Mutual Funds		
Corporate Bond Funds	\$ 142,107	\$ 142,107
Emerging Market Funds	38,410	38,410
Large Cap Funds	85,744	85,744
Mid Cap Funds	27,871	27,871
Small Cap Funds	22,166	22,166
<hr/>		
Total Investments - Mutual Funds	<u>\$ 316,298</u>	<u>\$ 316,298</u>

(5) RELATED-PARTY DISCLOSURES

Don Naimoli, Chairman of the FOVF was a prior employee and part owner of Girard Partners, the investment firm that manages the mutual fund investments of the Organization. Mr. Naimoli retired from Girard Partners as of January 1, 2011 and continued to receive installment payments as part of his buyout agreement until January 2014. For the service of managing the funds, Girard Partners was paid \$2,658 and \$3,182 in 2015 and 2014, respectively. In addition, Mr. Naimoli donated approximately 1,345 hours and 1,147 hours of volunteer time during 2015 and 2014, respectively.

THE FRIENDS OF VALLEY FORGE PARK

Notes to Financial Statements

September 30, 2015

(5) CONTINUED

Diane Ward, a board member of the Organization, is also an independent contractor working for the board through her company, Membership Matters, LLC. As part of her role, Ms. Ward directs and manages the work of two independent contractors who provide support services for the Organization. In prior years, including the year ended September 30, 2014, the FOVF did not incur any payroll expenses, as Ms. Ward paid one employee through her company, Membership Matters, LLC. As a result of Ms. Ward's request to begin paying her employee directly from FOVF, the Organization incurred payroll expenses relating to membership support of \$6,509, for the year ended September 30, 2015, in addition to Ms. Ward being paid through Membership Matters, LLC.

For the years ended September 30, 2015 and 2014, Ms. Ward received \$34,465 and \$40,800, respectively for her services, but also donated significant additional hours of service to the Organization.

Ms. Ward does not vote on any issues related to her position as an independent contractor.

Additional payments to board members included payments to Mimi Gleason (\$4,000), for taking on the role of Temporary Executive Director and payments to Melissa Farkouh (\$2,035) as a new hire in the role of Executive Director, for the year ended September 30, 2015.

(6) DONATED SERVICES-IN-KIND

Services-in-kind represent donated services to the FOVF. The Organization counts on its members for donations of time and other support services throughout the year to sustain operations. For the years ended September 30, 2015 and 2014, the Organization received approximately 6,613 hours and 6,536 hours respectively of donated time from all volunteers.

(7) EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the company through January 22, 2016 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
The Friends of Valley Forge Park
King of Prussia, Pennsylvania

Our report on our audit of the basic financial statements of The Friends of Valley Forge Park for 2015 and 2014 appears on page 1, and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J.M. Bartholomew & Co.

J.M. Bartholomew & Co.
West Chester, Pennsylvania

January 22, 2016

THE FRIENDS OF VALLEY FORGE PARK

Schedules of Program Service Expenses and
General and Administrative Expenses

September 30, 2015 and 2014

	2015	2014
<i>Program Service Expenses</i>		
Appeals	\$ 10,995	\$ 6,855
Bank fees	690	555
Cell phone tour	5,520	5,060
Contract services - design and marketing	13,772	14,877
Contract services - management and communications	34,465	40,800
Contract services - membership/fulfillment/software	8,887	8,753
Dues, permits and registrations	2,530	830
Insurance	3,057	2,442
Lecture series	2,065	1,103
Meals and entertainment	3,437	4,557
Miscellaneous	1,253	1,479
Muster roll	3,357	2,305
Other park projects and pledges	21,172	28,243
Park special events	14,871	21,994
Payroll and payroll taxes	15,391	-
Postage and delivery	1,309	1,595
Printing and reproduction	4,245	1,708
Trails/park projects	2,324	605
<i>Total Program Service Expenses</i>	<i>\$ 149,340</i>	<i>\$ 143,761</i>
<i>General and Administrative Expenses</i>		
Office	2,266	2,517
Professional fees	7,126	7,089
<i>Total General and Administrative Expenses</i>	<i>\$ 9,392</i>	<i>\$ 9,606</i>

See independent auditor's report on supplementary information