

**THE FRIENDS OF
VALLEY FORGE**



**FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 & 2017**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Friends of Valley Forge d/b/a Valley Forge Park Alliance
King of Prussia, Pennsylvania

We have audited the accompanying financial statements of The Friends of Valley Forge, a Pennsylvania not-for-profit corporation, which comprise of the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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.

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, as of September 30, 2018 and 2017, and the changes in their net assets and their 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, 2019

THE FRIENDS OF VALLEY FORGE

Statements of Financial Position

September 30, 2018 and 2017

	2018	2017
<i>ASSETS</i>		
Current assets		
Cash and cash equivalents	\$ 70,550	\$ 103,737
Investments – at fair value	357,879	346,686
Total assets	\$ 428,429	\$ 450,423
 <i>LIABILITIES AND NET ASSETS</i>		
Current liabilities		
Accounts payable, accruals, and other liabilities	\$ 1,904	\$ 7,168
Total liabilities	1,904	7,168
Net assets		
Unrestricted	116,791	107,511
Temporarily restricted	263,552	289,562
Permanently restricted	46,182	46,182
Total net assets	426,525	443,255
Total liabilities and net assets	\$ 428,429	\$ 450,423

The accompanying Notes to Financial Statements are an integral part of these financial statements

THE FRIENDS OF VALLEY FORGE

Statements of Activities and Changes in Net Assets
September 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Funding Appeal/Annual Appeal	\$ 29,306	\$ -	\$ -	\$ 29,306	\$ 36,179	\$ -	\$ -	\$ 36,179
Donation Boxes	-	8,758	-	8,758	9,439	-	-	9,439
Funding Projects	7,265	-	-	7,265	6,449	-	-	6,449
Gifts	21,565	-	-	21,565	17,119	-	-	17,119
Investment Income	11,505	8,454	-	19,959	20,465	14,868	-	35,333
Membership Dues	57,785	-	-	57,785	54,584	-	-	54,584
Program Income	21,356	-	-	21,356	11,010	-	-	11,010
Artifacts & Renovations	-	-	-	-	-	950	-	950
Trails - Meadow Mgt & Gulph Rd	-	18,050	-	18,050	-	60,000	-	60,000
Speaker Series	-	10,000	-	10,000	-	8,000	-	8,000
MB/Redoubt Donations	-	-	-	-	-	12,500	-	12,500
Sponsored - July 4th & Others	-	5,400	-	5,400	-	4,000	-	4,000
School Transportation	-	-	-	-	-	14,000	-	14,000
Rev Run Funds	-	55,500	-	55,500	-	54,000	-	54,000
Total Support and Revenue	148,782	106,162	-	254,944	155,245	168,318	-	323,563
Net Assets Released from Restrictions	132,172	(132,172)	-	-	94,449	(94,449)	-	-
Total Support and Revenue and Net Assets Released From Restrictions	280,954	(26,010)	-	254,944	249,694	73,869	-	323,563
Expenses:								
Program Service Expenses	232,158	-	-	232,158	203,379	-	-	203,379
Fundraising Expenses	27,081	-	-	27,081	39,054	-	-	39,054
General and Administrative Expenses	12,435	-	-	12,435	14,136	-	-	14,136
Total Expenses	271,674	-	-	271,674	256,569	-	-	256,569
Increase (Decrease) in Net Assets	9,280	(26,010)	-	(16,730)	(6,875)	73,869	-	66,994
Net Assets, Beginning of Year	107,511	289,562	46,182	443,255	114,386	215,693	46,182	376,261
Net Assets, End of Year	\$ 116,791	\$ 263,552	\$ 46,182	\$ 426,525	\$ 107,511	\$ 289,562	\$ 46,182	\$ 443,255

The accompanying Notes to Financial Statements are an integral part of these financial statements

THE FRIENDS OF VALLEY FORGE

Statements of Functional Expenses

September 30, 2018 and 2017

	2018	2017
<i>Program Service Expenses</i>		
Bank fees	\$ 1,812	\$ 1,004
Cell phone tour	-	5,520
Contract services - design and marketing	9,902	10,926
Contract services - management and communications	18,000	18,000
Contract services - membership/fulfillment/software	11,175	9,558
Dues and permits	880	1,235
Insurance	963	1,984
Meals and entertainment	1,160	1,890
Miscellaneous	1,506	881
Other park projects and pledges	17,351	37,449
Park special events	14,678	8,518
Payroll and payroll taxes	35,686	44,573
Postage and delivery	897	1,457
Printing and reproduction	4,061	4,512
Rev run funds	67,302	35,728
School transportation	-	10,117
Speaker series	12,038	10,027
Trails	34,747	-
<i>Total Program Service Expenses</i>	\$ 232,158	\$ 203,379
<i>Fundraising Expenses</i>		
Appeals	\$ 2,823	\$ 5,739
Meals and entertainment	1,159	1,889
Muster roll	2,938	2,435
Payroll and payroll taxes	17,842	22,286
License plates and special events	579	690
State filing fees and registrations	1,740	6,015
<i>Total Fundraising Expenses</i>	\$ 27,081	\$ 39,054
<i>General and Administrative Expenses</i>		
Office	\$ 3,135	\$ 3,833
Professional fees	9,300	10,303
<i>Total General and Administrative Expenses</i>	\$ 12,435	\$ 14,136

The accompanying Notes to Financial Statements are an integral part of these financial statements

THE FRIENDS OF VALLEY FORGE

Statements of Cash Flows

September 30, 2018 and 2017

	2018	2017
<i>Cash provided (used) by operating activities</i>		
Increase (decrease) in net assets	\$ (16,730)	\$ 66,994
Adjustments to reconcile increase in net assets to cash provided by (used in) operations		
(Increase) decrease in:		
Accounts receivable	-	-
Decrease (increase) in:		
Accrued expenses	(5,264)	743
<i>Net cash provided (used) by operating activities</i>	(21,994)	67,737
<i>Net cash provided (used) by investing activities</i>		
(Increase) decrease in marketable securities	(11,192)	(33,308)
Increase (decrease) in cash	(33,187)	34,429
Cash at beginning of year	103,737	69,308
Cash and Cash Equivalents, End of Year	\$ 70,550	\$ 103,737

The accompanying Notes to Financial Statements are an integral part of these financial statements

THE FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Friends of Valley Forge (the Organization or FOVF) was formed in 1976, as a Pennsylvania not-for-profit corporation, with 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 and has been operating this way since. In January 2016, the Organization registered a fictitious name in Pennsylvania as the Valley Forge Park Alliance, under which it conducts charitable and educational support for Valley Forge National Historical 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 U.S. generally accepted accounting principles (GAAP).

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, 2018 and 2017 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

Notes to Financial Statements

September 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Permanently restricted net assets* – Net assets containing donor-imposed restrictions requiring that the corpus (principal) be in perpetuity, while the investment income be used to support the operational expenses. Permanently restricted net assets reported reflect only corpus as of September 30, 2018 and 2017.

Cash and Cash Equivalents

FOVF considers all highly liquid investments with an original maturity of three months or less, to be cash equivalents, including restricted cash. Cash as of September 30, 2018 and 2017 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. Accordingly, actual results could differ from those estimates.

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 Organization's federal Exempt Organization Information Returns (form 990) for tax periods ended September 30, 2018, 2017 and 2016 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.

THE FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Concentrations of 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, whose performance is reviewed by the Board of Directors. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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 included in revenues and in the changes 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

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions and grants are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Temporarily restricted contributions are reclassified to unrestricted net assets upon the fulfillment of a purpose restriction or expiration of a time restriction.

THE FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Recent Accounting Pronouncements

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

The Friends of Valley Forge are currently evaluating the impact of the pending adoption of the new standards on the financial statements.

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, 2018 and 2017 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 FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(2) RESTRICTIONS ON NET ASSETS (CONTINUED)

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 composition of net assets for the trustee's fund and the changes in endowment net assets as of September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Balance at October 1	\$ 148,328	\$ 133,460
Interest/dividends	7,380	2,880
Realized gains (losses) on securities	9,874	2,069
Unrealized gains (losses) on securities	(8,800)	9,919
Total investment returns - temporarily restricted	<u>8,454</u>	<u>14,868</u>
Fund balance at September 30	156,782	148,328
Less: amount classified as temporarily restricted	<u>(110,600)</u>	<u>(102,146)</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 their classifications in the Statements of Activities and Net Assets as of September 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Interest/dividends	\$ 10,938	\$ 4,664
Realized gains (losses) on sale of securities	13,288	963
Unrealized holding gains (losses) on securities	<u>(12,721)</u>	<u>14,838</u>
Total investment returns - unrestricted	<u>\$ 11,505</u>	<u>\$ 20,465</u>

THE FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(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) and the lowest priority to unobservable inputs (Level 3). 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.

The asset 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. There have been no changes in the methodology used for the years ended September 30, 2018 and 2017.

- 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, 2018 and 2017. The Organization does not own any Level 2 or Level 3 assets for the years ended September 30, 2018 or 2017.

THE FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(4) FAIR VALUE MEASUREMENTS (CONTINUED)Fair Value Measurement by Classification Level:

	Quoted Prices in Active Markets (Level 1)	Total
<u>September 30, 2018:</u>		
Investments – Mutual Funds		
Corporate Bond Funds	\$ 162,781	\$ 162,781
Emerging Market Funds	15,127	15,127
Large Cap Funds	100,270	100,270
Mid Cap Funds	32,155	32,155
Small Cap Funds	30,333	30,333
Real Estate Funds	17,212	17,212
<hr/>		
Total Investments - Mutual Funds	<u>\$ 357,879</u>	<u>\$ 357,879</u>
<u>September 30, 2017:</u>		
Investments - Mutual Funds		
Corporate Bond Funds	\$ 156,852	\$ 156,852
Emerging Market Funds	17,513	17,513
Large Cap Funds	106,211	106,211
Mid Cap Funds	49,149	49,149
Small Cap Funds	16,961	16,961
<hr/>		
Total Investments - Mutual Funds	<u>\$ 346,686</u>	<u>\$ 346,686</u>

(5) ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

Accounts payable, accruals and other liabilities as of September 30, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
Unearned donor revenue	\$ -	\$ 5,000
Other accrued expenses	<u>1,904</u>	<u>2,168</u>
Total accounts payable and accrued liabilities	<u>\$ 1,904</u>	<u>\$ 7,168</u>

THE FRIENDS OF VALLEY FORGE

Notes to Financial Statements

September 30, 2018

(6) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been presented on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated among program service expenses, fundraising expenses, and general and administrative expenses.

(7) RELATED-PARTY DISCLOSURES

Payments were made to Molly Duffy in the amount of \$2,917 monthly (approximately \$35,000 on an annual basis), for her role as Executive Director and officer of the Organization. Ms. Duffy as Executive Director is a board member of the organization and is the only compensated member of the board for the audit period.

(8) 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, 2018 and 2017, the Organization received approximately 4,420 hours and 4,909 hours, respectively, of donated time from all volunteers.

(9) 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, 2019 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.