

**INNER ARBOR TRUST, INC.**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

# INNER ARBOR TRUST, INC.

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12



## Independent Auditors' Report

Board of Directors  
Inner Arbor Trust, Inc.  
Columbia, Maryland

We have audited the accompanying financial statements of Inner Arbor Trust, Inc. (a non profit organization), which comprise the statement of financial position as of April 30, 2014, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Independent Auditors' Report (continued)

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 Inner Arbor Trust, Inc. as of April 30, 2014, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Weyrich, Cronin + Sorra, Chtd.*

July 14, 2014  
Lutherville, MD

**INNER ARBOR TRUST, INC.**

Statement of Financial Position  
April 30, 2014

ASSETS

CURRENT ASSETS:

Cash	\$	389,518
Grants receivable		13,119
		<hr/>
		402,637
		<hr/>

PROPERTY AND EQUIPMENT:

Construction in process		1,477,712
		<hr/>
	\$	1,880,349
		<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	145,482
Accrued expenses		253,412
Deferred grant revenue		3,099
		<hr/>
Total Current Liabilities		401,993
		<hr/>

NET ASSETS:

Unrestricted		1,478,356
		<hr/>
	\$	1,880,349
		<hr/> <hr/>

See accompanying notes to financial statements

**INNER ARBOR TRUST, INC.**

Statement of Activities and Changes in Net Assets  
For the Year Ended April 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Grants	\$ 1,423,119	\$ 296,901	\$ 1,720,020
Interest Income	644	- 0 -	644
Net assets released from restrictions	296,901	(296,901)	- 0 -
	1,720,664	- 0 -	1,720,664
<b>EXPENSES:</b>			
Program services:			
Advertising	8,559	- 0 -	8,559
Accounting and consultation	2,100	- 0 -	2,100
Contract services	14,400	- 0 -	14,400
Legal fees	26,199	- 0 -	26,199
Conferences and meetings	317	- 0 -	317
Travel	17,925	- 0 -	17,925
Media and research	6,600	- 0 -	6,600
	76,100	- 0 -	76,100
Supporting services:			
Advertising	6,346	- 0 -	6,346
Accounting and consultation	6,992	- 0 -	6,992
Contract services	53,200	- 0 -	53,200
Legal fees	69,454	- 0 -	69,454
Office supplies	1,346	- 0 -	1,346
Small tools and equipment	2,077	- 0 -	2,077
Media and research	288	- 0 -	288
Insurance	6,706	- 0 -	6,706
Organizational costs	19,799	- 0 -	19,799
	166,208	- 0 -	166,208
	242,308	- 0 -	242,308
<b>CHANGE IN NET ASSETS</b>	1,478,356	- 0 -	1,478,356
<b>NET ASSETS AT BEGINNING OF YEAR</b>	- 0 -	- 0 -	- 0 -
<b>NET ASSETS AT END OF YEAR</b>	\$ 1,478,356	\$ - 0 -	\$ 1,478,356

See accompanying notes to financial statements

## INNER ARBOR TRUST, INC.

### Statement of Cash Flows For the Year Ended April 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,478,356
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in current assets:	
Grant receivable	(13,119)
Increase in current liabilities:	
Accounts payable	1,990
Accrued expenses	11,922
Deferred grant revenue	<u>3,099</u>
Net cash provided by operating activities	<u>1,482,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Costs incurred on work in process	<u>(1,092,730)</u>
Net cash used in investing activities	<u>(1,092,730)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	389,518
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>- 0 -</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 389,518</u>

See accompanying notes to financial statements

# INNER ARBOR TRUST, INC.

Notes to Financial Statements  
April 30, 2014

## 1. Organization and Summary of Significant Accounting Policies

**Nature of Operations** - The Inner Arbor Trust, Inc. (the Trust) is a private, not-for-profit organization, established April 26, 2013, to provide arts and community improvement projects and educational activities in Howard County, Maryland. More specifically, the Trust will develop and revitalize the greenway woods area, known as Symphony Woods, owned by Columbia Association (an independently operated 501(c)(4) association), and with Howard County, MD in order to present it as a public park, called Merriweather Park at Symphony Woods (the Park). The Trust relies on the continued receipt of grants and contributions in order to provide ongoing and continued programs.

**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 certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Basis of Accounting** - The financial statements of the Trust have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

**Financial Statement Presentation** - The Trust follows the presentation requirements that all contributions received or made are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Trust is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

**Unrestricted:** accounts for net assets without donor imposed restrictions that are available for the support of the Trust.

**Temporarily restricted:** accounts for net assets that have donor imposed restrictions that permit the Trust to expend the donated assets as specified, and is satisfied either by the passage of time or by actions of the Trust. When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as "net assets released from restrictions."

**Permanently restricted:** accounts for net assets, which are permanently restricted by the donor. The Trust does not have any permanently restricted net assets.



# INNER ARBOR TRUST, INC.

Notes to Financial Statements  
April 30, 2014

## 1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition** - The Trust receives substantially all of its revenue in the form of grants and contributions. The Trust recognizes all contributed support received and unconditional promises to give as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. When grants or other fees are exchange transactions, wherein the Trust has to perform services in order to earn the income, revenue is recognized when the services are performed.

**Grants Receivable** - Grants receivable are uncollateralized obligations for reimbursements under grants. Grants receivable generally require payment within 30 days from the invoice date and are stated at the invoice amount. Unpaid balances do not incur late fees or interest. Payment of grant receivables are applied to the specific invoices identified on the grantor's remittance advice or, if unspecified, to the earliest unpaid invoice. The Trust provides an allowance for doubtful accounts, as needed, for amounts deemed uncollectible. The allowance is based on historical experience and management's analysis of grant receivable. No allowance for uncollectible accounts is provided for the grant receivable because management does not deem it necessary based on historical collection experience.

**Property and Equipment** - Property and equipment are stated at cost of the purchased item or fair market value at the date of the gift. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. The Trust capitalizes property additions and repairs and maintenance over \$2,000 and with a useful life of one year or more. The cost or fair market value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method, at such a time that the project is placed in service. Construction in process represents all pre-acquisition costs incurred by the Trust related to the planning, design and construction of the Park. These amounts are capitalized but will not be depreciated until such a time that the project is placed in service.

**Deferred Revenue** - Deferred revenue is recorded on grants when funds are received but revenue has not been earned.

# INNER ARBOR TRUST, INC.

## Notes to Financial Statements April 30, 2014

### 1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes - The Trust is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). Accordingly, no provision for income tax is included in these financial statements. The Trust is not a private foundation.

The Trust has no open statute years for income tax examinations by tax authorities as it is a newly established entity. The Trust did not have any unrecognized tax benefits as of April 30, 2014 and does not expect this to change significantly over the next twelve months.

The Trust will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of April 30, 2014, the Trust has not accrued interest or penalties related to uncertain tax positions.

Functional Allocation of Expenses - The costs of providing the Trust's programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services which received some tangible benefit.

### 2. Grants

On June 7, 2013, the Trust received a grant from the Columbia Association, Inc. in the amount of \$1,600,000. The term is from July 7, 2013 through June 7, 2014. The grant was to promote and support the revitalization of the Park, specifically to pay expenses related to the Trust's operations in order to implement the Park, including employee compensation, fund-raising expenses, architectural and engineering design fees, and legal fees. The grant consisted of the following as of April 30, 2014:

Expenses incurred	1,423,119
Less: Grant funding to date	<u>(1,410,000)</u>
Grant receivable/(deferred grant revenue)	<u>\$ 13,119</u>

As of April 30, 2014, \$190,000 of the total grant amount has not been disbursed by the Columbia Association, Inc.

## INNER ARBOR TRUST, INC.

Notes to Financial Statements  
April 30, 2014

### 2. Grants (continued)

On December 18, 2013, the Trust received a grant from Howard County, MD, in the amount of \$3,500,000. The term is from July 1, 2013 through June 30, 2017. The grant was restricted for the purpose of planning, design and construction of the Treehouse Amphitheatre (commonly known as the Chrysalis) and design and engineering the Treehouse Guest Services Building (commonly known as the Butterfly), as part of the Park, located in the Merriweather-Symphony Woods Neighborhood of the 2010 Howard County Plan for Downtown Columbia. The grant consisted of the following as of April 30, 2014:

Expenses incurred	296,901
Less: Grant funding to date	<u>(300,000)</u>
Grant receivable/(deferred grant revenue)	<u>\$ (3,099)</u>

As of April 30, 2014, \$3,200,000 of the total grant amount has not been disbursed by Howard County, MD.

### 3. Symphony Woods Perpetual Easement

The Trust entered a perpetual easement agreement on December 11, 2013, subsequently amended and restated on March 14, 2014, with the Columbia Association, Inc. The agreement provides rights and responsibilities to real property, in perpetuity, located in Howard County, MD, referred to as Symphony Woods. The agreement provides for a perpetual easement, administered in four phases, which permits the Trust to develop, operate and maintain the property. The Trust is currently in Phase 1 of the easement. This phase grants the perpetual, non-exclusive easement, over, under and across a specified area, referred to as the Phase 1 Easement Area. Currently, the Trust has certain pre-development rights to Phases 2 and 3 of the easement, and the right to enter into agreements with the Merriweather Owner and Merriweather Operator for use of the Easement Area.

The Trust has full development and operating rights and responsibilities to subsequent phases of the easement upon completion of certain conditions, such as the Trust obtaining additional funding, constructing specific material improvements, and meeting other benchmarks.

# INNER ARBOR TRUST, INC.

Notes to Financial Statements  
April 30, 2014

## 4. Temporarily Restricted Net Assets

Temporarily restricted net assets released from restriction for the year ended April 30, 2014 totaled \$296,901 and was related to costs incurred under the provisions of the Howard County, MD grant agreement related to planning, design and construction of the Treehouse Amphitheatre and design and engineering of the Treehouse Guest Services Building (see Note 2).

## 5. Related Party Transactions

The Trust is related to the Columbia Association, Inc., an independently operated 501(c)(4) association. The Columbia Association, Inc. is the owner of the land referred to as Symphony Woods, which is controlled by the Trust under the terms of the perpetual easement agreement described in Note 3. According to the Trust's Bylaws, the Columbia Association, Inc. maintains a minority representation on the Trust's 7 member Board of Directors through two appointed voting members, and one ex-officio voting member. For the year ended April 30, 2014, the Columbia Association, Inc. has provided the Trust a \$1,600,000 unrestricted grant, as described in Note 2.

The Trust contracts with Strategic Leisure, Inc. for leadership and management services, office and equipment use, technology services and administrative services. The President of Strategic Leisure, Inc. is also the executive manager of the Trust. The Trust is under a month to month contract with Strategic Leisure, Inc. for these services at \$20,000 per month plus project related reimbursements. For the year ended April 30, 2014 the total contract payments paid to Strategic Leisure, Inc. amounted to \$240,000 plus project related reimbursements totaling \$21,042.

## 6. Commitments

At April 30, 2014, the Trust has outstanding contracts under several agreements related to the planning, design and construction of the Park, the most significant of which are as follows:

During 2013, the Trust contracted with Arup, USA, Inc. for consulting services for the proposed Inner Arbor Trust Treehouse Amphitheater and Bumper Building for a contract price of \$156,750 plus reimbursable expenses. The Trust also contracted with Arup, USA, Inc. to produce the Schematic Design and Design Development Documents to assist the civil engineer to submit the Site Development Plan to Howard County for a contract price of \$64,000. As of April 30, 2014, the Trust remains obligated for \$134,200 under the terms of these two agreements.

## **INNER ARBOR TRUST, INC.**

Notes to Financial Statements  
April 30, 2014

### 6. Commitments (continued)

During 2013, the Trust contracted with Gutschick, Little & Weber, P. A. a civil engineering firm, to conduct surveying to collect basic data, support conceptual planning, and create the Site Development Plan for submission to Howard County for a contract price of \$154,000 plus reimbursable expenses. As of April 30, 2014, the Trust remains obligated for \$24,202 under the terms of this agreement.

During 2013, the Trust contracted with Integrated Insight, Inc. to perform a Research and Feasibility Assessment for the Symphony Woods development project for a contract price of \$155,000. As of April 30, 2014, the Trust remains obligated for \$75,000 under the terms of this agreement.

During 2013, the Trust contracted with Living Design Lab, LLC to design and construct the Treehouse Amphitheatre as part of the Symphony Woods development project for a contract price of \$169,000 plus any reimbursable expenses. As of April 30, 2014, the Trust remains obligated for \$149,360 under the terms of this agreement.

During 2013, the Trust contracted with Mahan Rykiel Associates, Inc. (MRA) for landscape design and development of a schematic plan and construction documents for the Symphony Woods park development project. The total value of the contract with MRA after all subsequent amendments is \$499,500. As of April 30, 2014, the Trust remains obligated for \$38,968 under the terms of this agreement.

During 2013, the Trust contracted with THEVERYMANY, LLC for Design Development, Construction Documentation, Bidding and Construction Administration phases of the Treehouse Amphitheatre as part of the Symphony Woods development project for a contract price of \$80,000 plus any reimbursable expenses. As of April 30, 2014, the Trust remains obligated for \$68,572 under the terms of this agreement.

During 2013, the Trust contracted with M. J. Wells + Associates, Inc. to provide traffic engineering services in relation to the redevelopment of the Symphony Woods Park for a budgeted contract price of \$9,500. As of April 30, 2014, the Trust remains obligated for \$7,133 under the terms of this agreement.

In April of 2014 the Trust entered into a license agreement with the I.M.A., Inc. (commonly known as the operators of Merriweather Post Pavilion) for the temporary, ephemeral use of certain portions of the Park for concerts and festivals during the 2014 concert season. The license agreement stipulates payment for the license rights as being in-kind through maintenance and upkeep of the land through the contract period.

## **INNER ARBOR TRUST, INC.**

Notes to Financial Statements  
April 30, 2014

### 7. Concentration of Credit Risk

In the ordinary course of business, the Trust's cash and cash equivalents balances and investment balances may exceed the FDIC and SIPC insurance limits. The Trust continually reviews credit concentrations as part of its asset and liability management.

### 8. Subsequent Events

In June of 2014, a revision was made to the grant to the Trust from the Columbia Association, Inc. The remaining \$190,000 available from the original grant was to be paid by the State of Maryland to the Trust, on behalf of the Columbia Association, Inc. As of July 3, 2014, this amount has been paid to the Trust. Additionally, the original term of the grant was extended to December 7, 2014.

Management has evaluated subsequent events through July 14, 2014, the date which the financial statements were available to be issued.