

Marin Art and Garden Center, a Living Memorial

Financial Statements

Year ended December 31, 2011

with

Report of Independent Auditors

Report of Independent Auditors

Board of Directors
Marin Art and Garden Center, a Living Memorial

We have audited the accompanying statement of financial position of the Marin Art and Garden Center, a Living Memorial at December 31, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of the Marin Art and Garden Center, a Living Memorial. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Marin Art and Garden Center, a Living Memorial December 31, 2010 financial statements and, in our report dated May 5, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marin Art and Garden Center, a Living Memorial at December 31, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott
Larkspur, CA
July 19, 2012

Marin Art and Garden Center, a Living Memorial
Statement of Financial Position
December 31, 2011

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 46,991	\$ 175,469
Accounts receivable	<u>41,293</u>	<u>37,188</u>
Total current assets	88,284	212,657
Property and equipment, at cost		
Land	77,485	77,485
Buildings and improvements	2,000,493	2,000,493
Furniture and equipment	<u>249,010</u>	<u>249,010</u>
	2,326,988	2,326,988
Accumulated depreciation	<u>(1,144,908)</u>	<u>(1,051,009)</u>
Property and equipment, net	<u>1,182,080</u>	<u>1,275,979</u>
Total assets	<u><u>\$ 1,270,364</u></u>	<u><u>\$ 1,488,636</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 44,086	\$ 82
Accrued expenses	14,294	3,780
Rental deposits	<u>15,475</u>	<u>21,406</u>
Total current liabilities	73,855	25,268
Net assets		
Unrestricted	1,174,049	1,440,908
Permanently restricted	<u>22,460</u>	<u>22,460</u>
Total net assets	<u>1,196,509</u>	<u>1,463,368</u>
Total liabilities and net assets	<u><u>\$ 1,270,364</u></u>	<u><u>\$ 1,488,636</u></u>

See accompanying notes.

Marin Art and Garden Center, a Living Memorial
Statement of Activities and Changes in Net Assets
Year ended December 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	2011 Totals	2010 Totals
Support and revenue					
Donations	\$ 72,818	\$ -	\$ -	\$ 72,818	\$ 80,570
Memberships	2,875	-	-	2,875	285
Short-term rentals	289,135	-	-	289,135	283,623
Long-term rentals	142,837	-	-	142,837	105,715
Support group memberships and contributions	36,115	-	-	36,115	96,819
Interest and dividends	153	-	-	153	55
Other income	9,094	-	-	9,094	3,539
Net assets released from restrictions	-	-	-	-	-
Total support and revenue	553,027	-	-	553,027	570,606
Expenses					
Program services	636,953	-	-	636,953	523,644
Management and general	66,213	-	-	66,213	22,023
Fundraising and development	22,821	-	-	22,821	4,649
Total expenses	725,987	-	-	725,987	550,316
Change in net assets before depreciation expense	(172,960)	-	-	(172,960)	20,290
Depreciation expense	93,899	-	-	93,899	65,118
Change in net assets	(266,859)	-	-	(266,859)	(44,828)
Net assets, beginning of year	1,440,908	-	22,460	1,463,368	1,508,196
Net assets, end of year	<u>\$ 1,174,049</u>	<u>\$ -</u>	<u>\$ 22,460</u>	<u>\$ 1,196,509</u>	<u>\$ 1,463,368</u>

See accompanying notes.

Marin Art and Garden Center, a Living Memorial
Statement of Functional Expenses
Year ended December 31, 2011

	Program services	Management and general	Fundraising and development	2011 Total	2010 Total
Salaries	\$ 261,035	\$ 17,092	\$ 5,697	\$ 283,824	\$ 183,186
Payroll taxes	21,714	1,460	486	23,660	17,787
Employee benefits	30,828	-	-	30,828	7,519
Facility maintenance and outside services	164,722	-	-	164,722	176,900
Utilities	26,446	-	-	26,446	19,106
Insurance	33,494	-	-	33,494	31,929
Professional services	15,905	23,567	-	39,472	37,413
Program supplies	30,148	-	-	30,148	4,534
Marketing and promotion	2,629	-	-	2,629	3,494
Office supplies and expenses	-	22,820	-	22,820	8,492
Telephone	9,153	-	-	9,153	10,115
Bank charges and fees	3,860	-	-	3,860	4,529
Fundraising	-	-	16,638	16,638	6,237
Property taxes	35,763	-	-	35,763	36,416
Other	1,256	1,274	-	2,530	2,659
	<u>\$ 636,953</u>	<u>\$ 66,213</u>	<u>\$ 22,821</u>	<u>\$ 725,987</u>	<u>\$ 550,316</u>

See accompanying notes.

Marin Art and Garden Center, a Living Memorial
Statement of Cash Flows
Year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (266,859)	\$ (44,828)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	93,899	65,118
Changes in operating assets and liabilities		
Accounts receivable	(4,105)	(4,321)
Prepaid expenses	-	(3,308)
Accounts payable	44,004	(199)
Accrued liabilities	10,514	(1,068)
Rental deposits	(5,931)	13,456
	<u>(128,478)</u>	<u>24,850</u>
Net cash (used) provided by operating activities		
Net (decrease) increase in cash and cash equivalents	(128,478)	24,850
Cash and cash equivalents, beginning of year	<u>175,469</u>	<u>150,619</u>
Cash and cash equivalents, end of year	<u>\$ 46,991</u>	<u>\$ 175,469</u>

See accompanying notes.

Marin Art and Garden Center, a Living Memorial
Notes to Financial Statements
December 31, 2011

Note 1 - Summary of significant accounting policies

Basis of presentation

The Marin Art and Garden Center, a Living Memorial dba the Marin Art and Garden Center (MAGC) is a non-profit corporation organized under the laws of the State of California. MAGC consists of eleven acres of gardens that include ancient trees, rolling lawns, a butterfly habitat and herb and native plant gardens and facilities that serve as a venue for educational programs for all ages including classes for the home gardener, children's camps, theater and dance. MAGC was established in 1943 and its facilities are located in Ross, California.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. MAGC records revenues when earned and expenses when incurring the related obligation.

Use of estimates

MAGC prepares its financial statements in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts and notes reported in these financial statements. Actual results could differ from those estimated.

Contributions and net assets

MAGC recognizes contributions when a donor makes an unconditional promise to provide support. Net assets include cumulative unrestricted, temporarily restricted and permanently restricted net assets, net of cumulative expenses. Unrestricted net assets consist of revenue and contributions not restricted to a particular purpose or time by the donor, net of expenses. Temporarily restricted net assets consist of contributions restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when MAGC meets the donor purpose or time restriction. Permanently restricted net assets consist of contributions restricted by the donor for MAGC to hold permanently, allowing for only use of the income generated by the contribution.

Marin Art and Garden Center, a Living Memorial
Notes to Financial Statements
December 31, 2011

Note 1 - Summary of significant accounting policies (continued)

Allocations of functional expenses

MAGC allocates certain costs among production, general and administrative and marketing and promotion based on estimates of usage and benefit. MAGC evaluates and updates those estimates as needed.

Cash and cash equivalents

Cash and cash equivalents consists of amounts on hand and on deposit with a commercial bank in a non-interest bearing account, available on demand.

Allowance for uncollectible accounts receivable

MAGC uses the allowance method to account for uncollectible accounts receivable. Under this method, MAGC reviews all receivables for any problems with collectability. If MAGC feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At December 31, 2011 and 2010, MAGC concluded that an allowance for doubtful accounts was not necessary.

Property and equipment

MAGC records purchased property and equipment at acquisition cost. Donated land and facilities are valued at the estimated fair value at the time of receipt. MAGC records depreciation using the straight-line method over estimated useful lives of from five to thirty-nine years. MAGC generally capitalizes outlays of \$1,000 and above. Amounts expended for maintenance and repairs that do not improve or extend the lives of the respective assets are recorded as expenses.

Prior year totals

The columns on the accompanying financial statements captioned 2010 totals represent certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MAGC's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Marin Art and Garden Center, a Living Memorial
Notes to Financial Statements
December 31, 2011

Note 1 - Summary of significant accounting policies (continued)

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved MAGC as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved MAGC to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by law. Management of MAGC concluded that no activities of MAGC jeopardized its exemption from income taxes, its classification as a "public charity" or subjected MAGC to taxes on unrelated business income. Consequently, MAGC did not provide for any income taxes.

MAGC follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Adoption of these provisions did not have any impact on MAGC's liability for unrecognized tax liabilities. Management believes that MAGC has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2008 to 2011 are open for examination by the Internal Revenue Service and years 2007 to 2011 by the California Franchise Tax Board.

Fair value measurements

MAGC uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority. MAGC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, MAGC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. MAGC only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Marin Art and Garden Center, a Living Memorial
Notes to Financial Statements
December 31, 2011

Note 1 - Summary of significant accounting policies (continued)

Fair value measurements (continued)

Management of MAGC estimates that the aggregate net fair value of financial instruments recognized (including receivable, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Reclassifications

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

Note 2 - Endowments

Permanently restricted net assets consist of funds from two donors with the income earned on the funds added to the fund.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

MAGC has interpreted the CA-UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Under this interpretation, MAGC classifies as permanently restricted net assets the original fair value of gifts to permanently restricted endowment funds, the original fair value of subsequent gifts and accumulations made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. The remaining portions of donor-restricted endowment funds that MAGC has not classified as permanently restricted net assets, MAGC classifies as temporarily restricted net assets until MAGC appropriates those amounts for expenditure in a manner consistent with the standards of prudence prescribed by the CA-UPMIFA. In accordance with the CA-UPMIFA, MAGC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Marin Art and Garden Center, a Living Memorial
Notes to Financial Statements
December 31, 2011

Note 2 – Endowments (continued)

1. The duration and preservation of the endowment funds
2. The purposes of MAGC and the endowment funds
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MAGC
7. The investment policy of MAGC
8. The limitation under California state law of appropriations to seven percent of the fair value of the endowment funds.

As of December 31, 2011, the value of investment assets related to donor restricted endowment funds was not less than the amount required to be restricted by the donor or in accordance with CA-UPMIFA, absent donor restrictions.

MAGC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MAGC must hold in perpetuity or for a donor-specified period and board-designated funds.

The investment policy of MAGC is to preserve and protect assets of the organization while earning an appropriate rate of return of each category of assets.

The goals that will govern MAGC's investment activities are, in order of priority:

1. Safety and preservation of principal
2. Liquidity of investments sufficient to meet cash flow requirements
3. Maximize return on investments while meeting objectives 1 and 2 above

Marin Art and Garden Center, a Living Memorial
Notes to Financial Statements
December 31, 2011

Note 3 – Rental income

MAGC rents certain of its facilities on a short-term or daily use basis or under long-term arrangements with terms of up to three years. Rental income to be received under arrangements with remaining terms of over 12 months from December 31, 2011 amount to \$75,100 in 2012, \$30,270 in 2013 and \$4,500 in 2014.

Note 4 - Subsequent events

On February 20, 2012, MAGC entered into a \$100,000 line of credit agreement with an individual. The line of credit bears interest of 10% per annum and is unsecured.