

Marin Art and Garden Center

Financial Statements

Year ended December 31, 2013

with

Report of Independent Auditors

Report of Independent Auditors

Board of Trustees
Marin Art and Garden Center

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH

We have audited the accompanying financial statements of the Marin Art and Garden Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses 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; 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 audit. 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 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 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.

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 Marin Art and Garden Center as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Prior year amounts

We have previously audited the financial statements of the Marin Art and Garden Center as of and for the year ended December 31, 2012 and, in our report dated June 12, 2013, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which the management of the Marin Art and Garden Center derived it.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott
June 30, 2014

Marin Art and Garden Center
Statement of Financial Position
December 31, 2013

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 188,659	\$ 53,640
Accounts receivable	2,299	19,702
Prepaid insurance	-	5,320
	190,958	78,662
Property and equipment, at cost		
Land	77,485	77,485
Buildings and improvements	2,239,250	2,016,000
Furniture and equipment	98,013	249,010
	2,414,748	2,342,495
Accumulated depreciation	(1,250,737)	(1,197,319)
Property and equipment, net	1,164,011	1,145,176
Total assets	\$ 1,354,969	\$ 1,223,838
Liabilities and Net Assets		
Current liabilities		
Line of credit	\$ 20,000	\$ 40,000
Accounts payable	16,761	10,782
Accrued expenses	38,774	4,929
Deferred revenue	85,131	2,175
Rental deposits	12,200	17,250
	172,866	75,136
Net assets		
Unrestricted	1,154,523	1,134,902
Temporarily restricted	13,620	1,340
Permanently restricted	13,960	12,460
	1,182,103	1,148,702
Total liabilities and net assets	\$ 1,354,969	\$ 1,223,838

See accompanying notes.

Marin Art and Garden Center
Statement of Activities and Changes in Net Assets
Year ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Support and revenue					
Donations	\$ 37,011	\$ 52,589	\$ 1,500	\$ 91,100	\$ 136,640
Memberships	11,245	-	-	11,245	17,860
Program fees	17,343	-	-	17,343	17,780
Short-term rentals	347,892	-	-	347,892	225,559
Long-term rentals	215,737	-	-	215,737	172,106
Expense reimbursements	20,290	-	-	20,290	30,473
Interest and dividends	347	-	-	347	27
Other income	4,348	-	-	4,348	3,398
Net assets released from restrictions	40,309	(40,309)	-	-	-
Total support and revenue	694,522	12,280	1,500	708,302	603,843
Expenses					
Program services	540,017	-	-	540,017	521,337
Management and general	67,053	-	-	67,053	53,886
Fundraising and development	14,413	-	-	14,413	24,016
Total expenses	621,483	-	-	621,483	599,239
Change in net assets before depreciation expense	73,039	12,280	1,500	86,819	4,604
Depreciation expense	53,418	-	-	53,418	52,411
Change in net assets	19,621	12,280	1,500	33,401	(47,807)
Net assets, beginning of year	1,134,902	1,340	12,460	1,148,702	1,196,509
Net assets, end of year	<u>\$ 1,154,523</u>	<u>\$ 13,620</u>	<u>\$ 13,960</u>	<u>\$ 1,182,103</u>	<u>\$ 1,148,702</u>

See accompanying notes.

Marin Art and Garden Center
Statement of Functional Expenses
Year ended December 31, 2013

	Program services	Management and general	Fundraising and development	2013 Total	2012 Total
Salaries	\$ 194,731	\$ 12,700	\$ 4,234	\$ 211,665	\$ 215,936
Payroll taxes	16,150	1,054	352	17,556	21,167
Employee benefits	5,043	329	110	5,482	20,455
Facility maintenance	173,563	-	-	173,563	110,499
Utilities	23,692	-	-	23,692	23,364
Insurance	48,616	-	-	48,616	65,031
Interest	4,101	-	-	4,101	2,236
Professional services	-	31,037	-	31,037	28,708
Program supplies	4,333	-	-	4,333	9,370
Marketing and promotion	13,726	-	-	13,726	10,391
Office supplies and expenses	-	21,933	-	21,933	13,906
Telephone	10,347	-	-	10,347	8,627
Bank charges and fees	9,488	-	-	9,488	9,369
Fundraising	-	-	9,717	9,717	18,863
Property taxes	35,014	-	-	35,014	36,871
Other	1,213	-	-	1,213	4,446
	<u>\$ 540,017</u>	<u>\$ 67,053</u>	<u>\$ 14,413</u>	<u>\$ 621,483</u>	<u>\$ 599,239</u>

See accompanying notes.

Marin Art and Garden Center
Statement of Cash Flows
Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 33,401	\$ (47,807)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	53,418	52,411
Changes in operating assets and liabilities		
Accounts receivable	17,403	21,591
Prepaid insurance	5,320	(5,320)
Accounts payable	5,979	(33,304)
Accrued liabilities	33,845	(9,365)
Deferred revenue	82,956	2,175
Rental deposits	(5,050)	1,775
Net cash provided (used) by operating activities	<u>227,272</u>	<u>(17,844)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(72,253)</u>	<u>(15,507)</u>
Net cash used by investing activities	(72,253)	(15,507)
Cash flows from financing activities		
Borrowings from line of credit	-	40,000
Repayments on line of credit	<u>(20,000)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(20,000)</u>	<u>40,000</u>
Net increase in cash and cash equivalents	135,019	6,649
Cash and cash equivalents, beginning of year	<u>53,640</u>	<u>46,991</u>
Cash and cash equivalents, end of year	<u>\$ 188,659</u>	<u>\$ 53,640</u>
Cash paid for interest	<u>\$ 4,101</u>	<u>\$ 2,236</u>

See accompanying notes.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 1 - Summary of significant accounting policies

Basis of presentation

The Marin Art and Garden Center, is a non-profit corporation organized under the laws of the State of California. Effective April 25, 2014, the Marin Art and Garden Center, a Living Memorial changed its name to Marin Art and Garden Center (MAGC). 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
Notes to Financial Statements
December 31, 2013

Note 1 - Summary of significant accounting policies (continued)

Contributed services

Accounting principles generally accepted in the United States require the valuation and recordation of services that meet two criteria: The services require specialized skills and MAGC would purchase the services if not contributed. During the years ended December 31, 2013 and 2012, MAGC did not receive material services meeting the requirements for valuation and recordation. MAGC makes significant use of the services of volunteers; however, these services do not meet the criteria for valuation and recordation.

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, 2013 and 2012, 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 \$5,000 and above. Amounts expended for maintenance and repairs that do not improve or extend the lives of the respective assets are recorded as expenses.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 1 - Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenue consists of rent payments received in advance.

Prior year totals

The columns on the accompanying financial statements captioned 2012 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, 2012, from which the summarized information was derived.

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 2010 to 2013 are open for examination by the Internal Revenue Service and years 2009 to 2013 by the California Franchise Tax Board.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 1 - Summary of significant accounting policies (continued)

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.

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.

Subsequent events

MAGC evaluated subsequent events for recognition and disclosure through June 30, 2014, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2013 that required recognition or disclosure in such financial statements.

Reclassifications

MAGC has reclassified certain prior year amounts to conform to the current year presentation.

Note 2 – Temporarily restricted net assets

As of and during the year ended December 31, 2013, temporarily restricted net assets reconcile as follows:

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 2 – Temporarily restricted net assets (continued)

<u>Activity</u>	<u>2012</u>	<u>Additions</u>	<u>Releases</u>	<u>2013</u>
Edible Garden Fund	\$ 740	\$45,089	\$(39,709)	\$ 6,120
Computer equipment	600	-	(600)	-
ADA compliance	-	2,500	-	2,500
Miscellaneous	-	5,000	-	5,000
Total	<u>\$ 1,340</u>	<u>\$52,589</u>	<u>\$(40,309)</u>	<u>\$13,620</u>

As of and during the year ended December 31, 2012, temporarily restricted net assets reconcile as follows:

<u>Activity</u>	<u>2011</u>	<u>Additions</u>	<u>Releases</u>	<u>2012</u>
Edible Garden Fund	\$ -	\$ 740	\$ -	\$ 740
Computer equipment	-	1,000	(400)	600
Total	<u>\$ -</u>	<u>\$ 1,740</u>	<u>\$ (400)</u>	<u>\$ 1,340</u>

Note 3 - Endowments

Permanently restricted net assets consist of funds from several 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

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 3 – Endowments (continued)

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:

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

As of December 31, 2013, 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.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 3 – Endowments (continued)

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

Changes in endowment net assets for the years ended December 31, 2013 and 2012 are as follows:

	Permanently restricted	Total
Endowment net assets, at December 31, 2011	\$ 22,460	\$ 22,460
Contributions	-	-
Dividends and interest	-	-
Appropriations for expenditure	(10,000)	(10,000)
Board designations (undesignations)	-	-
Endowment net assets, at December 31, 2012	12,460	12,460
Contributions	1,500	1,500
Dividends and interest	-	-
Appropriations for expenditure	-	-
Board designations (undesignations)	-	-
Endowment net assets, at December 31, 2013	\$ 13,960	\$ 13,960

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2013

Note 4 – 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 five years. Long-term arrangements may include an option to renew for five additional years. Under the terms of the operating leases, MAGC expects to receive minimum rental payments during the years ending December 31, totaling as follows:

2014	\$ 169,925
2015	105,257
2016	49,484
2017	<u>44,714</u>
Total future minimum rental payments receivable	<u>\$ 369,380</u>

Operating leases also require additional payments for each tenant's proportionate share of certain building operating expenses. Operating leases expire variously through December 31, 2017.

Note 5 – Line of credit

One February 10, 2012, MAGC entered into a \$100,000 non-revolving line of credit agreement with an individual. The line of credit is due February 10, 2015. The line of credit bears interest of 10% per annum and is unsecured. During 2012, MAGC drew \$40,000 from the line of credit. During 2013, MAGC repaid \$20,000 to the line of credit.