

LONDON TOWN FOUNDATION, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

LONDON TOWN FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	3-4
Financial Statements:	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-22



Independent Auditor's Report

To the Board of Directors of
London Town Foundation, Inc.
Annapolis, MD

Opinion

We have audited the accompanying financial statements of London Town Foundation, Inc. (a nonprofit organization) and affiliate, which comprise the statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of London Town Foundation, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of London Town Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about London Town Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 London Town Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about London Town Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Alta CPA Group, LLC

November 11, 2024

LONDON TOWN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 917,853	\$ 1,258,756
Grants Receivable	5,451	36,552
Other Receivables	306	398
Inventory	3,020	3,584
Prepaid Expenses	78,185	107,772
Total Current Assets	1,004,815	1,407,062
Property and Equipment, Net	343,154	371,394
Other Assets:		
Beneficial Interests in Assets Held By Community Foundation	309,215	-
Total Assets	\$ 1,657,184	\$ 1,778,456
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 9,707	\$ 7,497
Accrued Payroll and Vacation	49,713	28,968
Deferred Revenue	254,800	245,633
Refundable Advances	104,071	79,200
Accrued Interest	1,373	2,070
Security Deposits	31,750	35,500
Notes Payable, Current Portion	7,127	6,249
Total Current Liabilities	458,541	405,117
Long-term Liabilities:		
Deferred Revenue, Net of Current Portion	53,094	55,000
Notes Payable	110,162	115,853
Security Deposits, Net of Current Portion	7,000	7,000
Total Long-term Liabilities	170,256	177,853
Total Liabilities	628,797	582,970
Net Assets:		
Without Donor Restrictions	645,972	714,477
With Donor Restrictions	382,415	481,009
Total Net Assets	1,028,387	1,195,486
Total Liabilities and Net Assets	\$ 1,657,184	\$ 1,778,456

See independent auditor's report and accompanying notes to financial statements.

LONDON TOWN FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:						
Grant Revenue - Anne Arundel County	\$ 167,500	\$ 167,500	\$ 335,000	\$ 145,000	\$ 145,000	\$ 290,000
Rental Income	550,200	-	550,200	518,608	-	518,608
Grant Revenue - Other	184,990	71,629	256,619	61,027	241,562	302,589
Contributions	36,908	40,313	77,221	83,854	133,374	217,228
Membership	41,958	-	41,958	50,124	-	50,124
Garden Revenue	415	-	415	9,143	-	9,143
Investment Income	30,576	-	30,576	7,299	-	7,299
Admissions and Group Tours	54,904	-	54,904	50,064	-	50,064
Education and Public Events	19,366	-	19,366	18,808	200	19,008
Annual Event	-	-	-	60,948	-	60,948
Gain on Asset Disposal	-	-	-	6,800	-	6,800
Miscellaneous Income	7,074	-	7,074	14,477	-	14,477
Total Revenue, Gains, and Other Support	1,093,891	279,442	1,373,333	1,026,152	520,136	1,546,288
Expenses:						
Program Services	1,223,708	-	1,223,708	1,048,466	-	1,048,466
General and Administrative	294,961	-	294,961	185,774	-	185,774
Fundraising	21,763	-	21,763	24,255	-	24,255
Total Expenses	1,540,432	-	1,540,432	1,258,495	-	1,258,495
Net Assets Released form Restrictions						
Satisfaction of Program Restrictions	378,036	(378,036)	-	346,907	(346,907)	-
Change in Net Assets	(68,505)	(98,594)	(167,099)	114,564	173,229	287,793
Net Assets, Beginning of Year	714,477	481,009	1,195,486	599,913	307,780	907,693
Net Assets, End of Year	\$ 645,972	\$ 382,415	\$ 1,028,387	\$ 714,477	\$ 481,009	\$ 1,195,486

See independent auditor's report and accompanying notes to financial statements.

LONDON TOWN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Functional Expenses</u>
Compensation and Related Expenses:				
Salaries	\$ 593,809	\$ 191,387	\$ 5,364	\$ 790,560
Employee Benefits	14,945	14,791	-	29,736
Retirement Plan Fees	8,569	1,679	-	10,248
Payroll Taxes	<u>46,089</u>	<u>14,791</u>	<u>464</u>	<u>61,344</u>
Total Compensation and Related Expenses	663,412	222,648	5,828	891,888
Advertising	3,980	-	-	3,980
Board Meetings	-	4,291	-	4,291
Contract Services	-	31,440	2,615	34,055
Credit Card and Bank Fees	20,075	116	-	20,191
Depreciation	66,071	1,549	-	67,620
Education and Public Events	8,468	-	13,320	21,788
Employee/Volunteer Development	17,462	-	-	17,462
Insurance	36,277	-	-	36,277
Interest Expense	-	2,943	-	2,943
Maintenance	60,634	-	-	60,634
Miscellaneous	3,358	131	-	3,489
Museum Store Expenses	6,175	-	-	6,175
Office Expenses	17,851	3,698	-	21,549
Professional Fees	-	28,145	-	28,145
Rental Expenses - Advertising	13,652	-	-	13,652
Rental Expenses - Other	17,510	-	-	17,510
Site Management and Restoration	252,674	-	-	252,674
Utilities	<u>36,109</u>	<u>-</u>	<u>-</u>	<u>36,109</u>
Total Functional Expenses	<u>\$ 1,223,708</u>	<u>\$ 294,961</u>	<u>\$ 21,763</u>	<u>\$ 1,540,432</u>

See independent auditor's report and accompanying notes to financial statements.

LONDON TOWN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Functional Expenses</u>
Compensation and Related Expenses:				
Salaries	\$ 571,115	\$ 135,581	\$ 2,394	\$ 709,090
Employee Benefits	2,635	971	-	3,606
Retirement Plan Fees	13,938	2,490	-	16,428
Payroll Taxes	44,131	11,542	207	55,880
Total Compensation and Related Expenses	<u>631,819</u>	<u>150,584</u>	<u>2,601</u>	<u>785,004</u>
Advertising	14,416	-	-	14,416
Annual Events	-	-	17,496	17,496
Board Meetings	-	1,599	-	1,599
Contract Services	9,300	-	2,959	12,259
Credit Card and Bank Fees	19,562	777	-	20,339
Depreciation	51,976	1,186	-	53,162
Education and Public Events	6,185	-	-	6,185
Employee/Volunteer Development	11,087	-	-	11,087
Insurance	31,517	-	-	31,517
Interest Expense	-	3,102	-	3,102
Maintenance	49,735	-	-	49,735
Miscellaneous	2,338	1,020	-	3,358
Museum Store Expenses	7,422	-	-	7,422
Office Expenses	17,831	4,474	1,199	23,504
Professional Fees	-	23,032	-	23,032
Rental Expenses - Advertising	15,628	-	-	15,628
Rental Expenses - Other	35,628	-	-	35,628
Site Management and Restoration	109,426	-	-	109,426
Utilities	34,596	-	-	34,596
Total Functional Expenses	<u>\$ 1,048,466</u>	<u>\$ 185,774</u>	<u>\$ 24,255</u>	<u>\$ 1,258,495</u>

See independent auditor's report and accompanying notes to financial statements.

LONDON TOWN FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (167,099)	\$ 287,793
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	67,620	53,162
Unrealized Gains	(9,215)	
Gain on Asset Disposal	-	(6,800)
Changes in Operating Assets and Liabilities:		
Grants Receivable	31,101	118,834
Other Receivables	92	(398)
Employee Retention Credit Receivable	-	87,257
Inventory	564	867
Prepaid Expenses	29,587	(103,733)
Accounts Payable	2,210	(10,573)
Accrued Payroll and Vacation	20,745	2,147
Deferred Revenue	7,261	10,081
Refundable Advances	24,871	(25,510)
Accrued Interest	(697)	(4,118)
Security Deposits	<u>(3,750)</u>	<u>(5,650)</u>
Net Cash Provided by Operating Activities	3,290	403,359
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(300,000)	-
Purchase of Property and Equipment	<u>(39,380)</u>	<u>(105,488)</u>
Net Cash Used for Investing Activities	(339,380)	(105,488)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments of Notes Payable	<u>(4,813)</u>	<u>(50,932)</u>
Net Cash Used for Financing Activities	<u>(4,813)</u>	<u>(50,932)</u>
Net Change in Cash and Cash Equivalents	(340,903)	246,939
Cash and Cash Equivalents, Beginning of Year	<u>1,258,756</u>	<u>1,011,817</u>
Cash and Cash Equivalents, End of Year	<u>\$ 917,853</u>	<u>\$ 1,258,756</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Income Taxes	\$ <u>-</u>	\$ <u>-</u>
Interest	\$ <u>192</u>	\$ <u>7,220</u>
NON-CASH INVESTING ACTIVITIES		
Equipment Purchases Financed by Note Payable	<u>\$ -</u>	<u>\$ 23,034</u>

See independent auditor's report and accompanying notes to financial statements.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

London Town Foundation, Inc. (Foundation) was incorporated in the State of Maryland on August 17, 1987, as a not-for-profit organization to receive funds used to support the preservation, development and operation of the Historic London Town and Gardens, a property owned by Anne Arundel County, Maryland and to foster educational programs related to the history of colonial Maryland.

Basis of Accounting

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

Basis of Presentation

Net assets are classified based on the existence or absence of donor imposed restrictions as follows:

- Net Assets Without Donor Imposed Restrictions – Net assets that are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.
- Net Assets With Donor Restrictions – Net assets that are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose.

Use of Estimates

The preparation of financial statements in accordance 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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three (3) months or less to be cash equivalents.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

The majority of the grants received by the Foundation are from government agencies. Grants receivable may reflect costs that had not been reimbursed as of year end or direct grants not received. Additionally, contributions are recognized as grants receivable when the donor makes a promise to give to the Foundation that is, in substance, unconditional. If promises to give are conditional, they aren't recorded until all conditions have been met.

Beneficial Interest in Assets Held by Community Foundation

During 2023, the Foundation transferred \$300,000 to the Community Foundation of Anne Arundel County (the "Community Foundation") which is holding the assets as an agency-endowed component fund ("Fund") for the benefit of the Foundation.

The Foundation has granted variance power to the Community Foundation, which allows the Community Foundation to modify in any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole discretion of the Community Foundation's Board of Trustees, such purpose for which the Fund was created ever become obsolete, inconsistent with the charitable needs of the community, or incapable of fulfillment. The Fund is held and invested by the Community Foundation for the Foundation's benefit and is reported at fair value as beneficial interest in assets held by community foundation in the statements of financial position. Distributions received from the Fund are reported as investment income, and changes in the value of the Fund are reported as investment return in the statements of activities and changes in net assets. Distributions may be made annually and will be made under the terms of the Community Foundation's spending policy, which is designed to maintain and, if possible, increase the real value of the Fund while at the same time providing a relatively stable but predictable level of funding. The Community Foundation's Board of Trustees reviews the spend rate annually and approves the spend rate for the following year.

Endowment Fund

The Board of Directors of the Foundation has interpreted the Maryland Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Fund (Continued)

with perpetual restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MPMIFA. In accordance with MPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Foundation's endowment consists of certain net assets without donor restrictions that been designated for endowment by the Board of Directors.

The Foundation's endowment serves to support current and future operations; its primary objectives are to provide a relatively predictable and increasing stream of earnings and to preserve and if possible increase the real purchasing power of endowment assets in relation to the annual operating budget. These objectives will be realized through a long-term asset allocation policy designed to generate the highest total return consistent with minimizing the probability of a significant and protracted decrease in value. To this end, the endowment is invested primarily in equities and mutual funds (broadly defined) through the Community Foundation of Anne Arundel County. For the purpose of performance measurement, the primary objective is to equal the performance of the endowment's blended benchmark. The Foundation follows the policies of the Community Foundation of Anne Arundel County for investing and appropriating funds. The purpose of the fund is to provide income and long-term protection for the operation of the Foundation.

Revenue Recognition

The Foundation reports grants and contributions of cash and other assets as support and net assets with donor restrictions if there are donor stipulations that limit the time period or manner of use of the grant or contribution. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants and contributions that depend upon the occurrence of a specified future, and uncertain, event to bind the potential donor are considered conditional contributions. Grants and contributions with unmet conditions are recognized as refundable advances in the statement of financial position. When conditions are substantially met, the grants and contributions become unconditional and are recognized in the statement of activities.

The refundable advances balance as of December 31, 2023 and 2022 consists entirely of conditional grants received by the Foundation from grantors.

Revenue from contracts with customers primarily consists of venue rentals, memberships, educational programs, and admissions. Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those services. These revenues are recognized net of discounts, waivers, and refunds.

The Foundation determines revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which the Foundation evaluates the market and estimates a price that a customer would be willing to pay for the goods and services the Foundation provides.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation's performance obligations for venue rentals are primarily satisfied during the point in time of the events and educational programming and the point of sale of merchandise, admissions, and membership. The transaction price is determined based on gross price, net of discounts or refunds. The Foundation has elected the optional exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. The Foundation expects to recognize substantially all revenue on these remaining performance obligations over the next twelve months.

Contract Balances

The timing of billings, cash collections, and revenue recognition results in accounts receivable (contract assets) and program deposits on the statements of financial position. Receivables are only recognized to the extent that it is probable that the Foundation will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. The Foundation receives advance payments of deposits from customers before revenue is recognized, which are recorded as contract liabilities in program deposits.

Payments for the rental of venue space received prior to the fiscal year to which the event occurs are recognized as deferred revenue on the statement of financial position. Contract liabilities in the amount of \$307,894 and \$300,633 were included in deferred revenue and deposits in the statement of financial position as of December 31, 2023 and 2022, respectively.

Costs to Obtain a Contract

The Foundation has elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Inventory

The Foundation operates a gift shop and a plant nursery. Inventory consists of pottery, historical artifacts and plants. Inventory is stated at the lower of cost, determined by the first-in, first-out method, or net realizable value, or fair value, if donated.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment acquisitions in excess of \$500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method from three (3) years to seven (7) years. Gifts of long-lived assets such as land, building or equipment are recorded at their fair values and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Maintenance and repairs, which do not improve or extend the lives of the assets, are expensed currently.

Museum Collection

The Foundation has capitalized its collections as a part of property and equipment since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised value on the accession date. Collections are not depreciated or amortized. Gain or losses on the deaccessions of collection items are classified on the statement of activities as with or without donor restrictions depending on donor restrictions, if any, placed on the item at the time of accession. Any funds generated through deaccessions of collection items would be used for the direct care of the remaining items. Direct care includes curatorial supplies and outside conservation experts, as needed.

Donated Services

A substantial number of unpaid volunteers have contributed their time to develop the Foundation's many programs. The value of this contributed time is not reflected in these statements since such services would not otherwise be purchased to create or enhance nonfinancial assets.

Functional Allocation of Expenses

Expenses are allocated between program services, administrative support, and fundraising, in accordance with generally accepted accounting principles, and have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide overall support and direction of the Foundation. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Overhead expenses that are allocated among various departments are done so based on an estimate of usage by functional area.

Income Taxes and Uncertainties

The Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal and state income tax on any income except unrelated business income. No provision has been made for income taxes as the Foundation has had no significant unrelated business income.

The Foundation's evaluation on December 31, 2023 revealed no uncertain tax positions that would have a material impact on the financial statements. The previous three (3) tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

Advertising

The Foundation's policy is to expense advertising cost as the costs are incurred.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net income for the year ended December 31, 2022.

Subsequent Events

The Foundation evaluated subsequent events through the date that the consolidated financial statements were available to be issued. The Foundation is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to November 11, 2024 that would have a material impact on the consolidated financial statements.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Foundation's financial assets as of the date of the statements of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one (1) year of the date of the statements of financial position:

Financial Assets at Year-End	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 917,853	\$ 1,258,756
Grants Receivable	5,451	36,552
Other Receivables	<u>306</u>	<u>398</u>
Total Available Financial Assets at Year-End	923,610	1,295,706
Less Those Unavailable for General Expenditures Within One (1) Year, Due to:		
Restricted by Donors with Purpose Restrictions	<u>(382,415)</u>	<u>(481,009)</u>
Total Financial Assets Available for General Expenditure Within One Year	\$ <u>541,195</u>	\$ <u>814,697</u>

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Foundation maintains deposits at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and may, at times during the year, exceed insured limits. The Foundation believes that no significant concentration of credit risk exists with respect to these balances.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The following table presents the changes in the Fund for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ ---	\$ ---
Contributions	300,000	
Share of Appreciation of Fund	<u>9,215</u>	<u>---</u>
Balance at End of Year	\$ <u>309,215</u>	\$ <u>---</u>

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5 - FAIR VALUE MEASUREMENTS

The following table presents the Foundation's fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis as of December 31, 2023:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Beneficial Interests in Assets Held by Community Foundation	\$ ---	\$ ---	\$ <u>309,215</u>	\$ <u>309,215</u>
Total	\$ <u>---</u>	\$ <u>---</u>	\$ <u>309,215</u>	\$ <u>309,215</u>

The Foundation had no assets or liabilities measured at fair value on a recurring basis as of December 31, 2022.

The beneficial interest in assets held at the Community Foundation of Anne Arundel County has been valued as a practical expedient, at the fair value of the Foundation's share of the Community Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Community Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Community Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Community Foundation is not redeemable by the Foundation.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ ---	\$ ---
Contributions	300,000	---
Investment Return, Net	<u>9,215</u>	<u>---</u>
Balance at End of Year	\$ <u>309,215</u>	\$ <u>---</u>

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 - ENDOWMENT FUND

The endowment fund at December 31, 2023 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Funds	\$ <u>309,215</u>	\$ <u>---</u>	\$ <u>309,215</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$ ---	\$ 31,255
	300,000	---	300,000
Investment Return, Net	<u>9,215</u>	<u>---</u>	<u>9,215</u>
Endowment Net Assets, End of Year	\$ <u>309,215</u>	\$ <u>---</u>	\$ <u>309,215</u>

The Foundation had no endowment activity during the year ended December 31, 2022.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>Estimated Lives</u>	<u>2023</u>	<u>2022</u>
Library	7 Years	\$ 4,207	\$ 4,207
Furniture	7 Years	79,504	79,504
Equipment	5 Years	292,138	252,758
Software	3 Years	1,030	1,030
Museum Collection	-	<u>212,325</u>	<u>212,325</u>
		589,204	549,824
Accumulated Depreciation		<u>(246,050)</u>	<u>(178,430)</u>
Property and Equipment, Net		\$ <u>343,154</u>	\$ <u>371,394</u>

Depreciation expense was \$67,620 and \$53,162 for the years ended December 31, 2023 and 2022, respectively.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8 - ACCRUED VACATION

Employees of the Foundation are entitled to paid vacation depending on the length of service and job classification. The vested portion of vacation benefits due to employees at December 31, 2023 and 2022 was \$27,858 and \$15,706, respectively.

NOTE 9 - SECURITY DEPOSITS

Customer deposits consist of amounts received by the Foundation for future rental of facilities. Total deposits at December 31, 2023 and 2022, were \$38,750 and \$42,500, respectively.

NOTE 10 - NOTES PAYABLE

The Foundation obtained an Economic Injury Disaster Loan (“EIDL”) from the U.S. Small Business Administration in the amount of \$150,000 during 2020. The note accrues interest at a two and three quarters percent (2.75%) fixed rate, with principal and interest payments deferred for up to thirty (30) months with payments beginning in December 2022. Payments will be applied to accrued interest only through 2024, with the first principal payment beginning in 2025. The loan has a maturity date of May 29, 2050 and is collateralized by the assets of the Foundation. As of December 31, 2023 and 2022, accrued interest was \$1,373 and \$2,070, respectively, and is included on the statement of financial position. The outstanding balance of the EIDL was \$99,822 and \$100,220 as of December 31, 2023 and 2022, respectively.

In September 2022, the Foundation financed the purchase of a tractor in the amount of \$23,034 with zero interest for sixty (60) months. Monthly principal payments of \$384 are required. The outstanding balance of the loan was \$17,467 and \$21,882 as of December 31, 2023 and 2022, respectively.

Principal debt obligation on this note for the next five (5) years and thereafter are as follows:

For the Years Ending December 31,

2024	\$ 7,127
2025	7,197
2026	7,269
2027	6,185
2028	2,812
Thereafter	<u>86,699</u>
Total	\$ <u>117,289</u>

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

The following are net assets with donor restrictions and their purposes at December 31:

	<u>2023</u>	<u>2022</u>
Site Maintenance and Improvement	\$ 225,082	\$ 304,553
Gardens	65,504	142,852
Education	27,941	18,989
Staffing	53,860	4,587
Gresham Estate Work	<u>10,028</u>	<u>10,028</u>
 Total	 \$ <u>382,415</u>	 \$ <u>481,009</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. The following amounts were released from restriction for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Site Maintenance and Improvement	\$ 326,660	\$ 280,281
Gardens	16,903	39,217
Education	4,094	5,016
Staffing	30,379	19,163
Gresham Estate Work	<u>---</u>	<u>3,230</u>
 Total	 \$ <u>378,036</u>	 \$ <u>346,907</u>

NOTE 12 - RETIREMENT PLAN

The Foundation has established a defined contribution plan for all eligible employees. During the years ended December 31, 2023 and 2022 the Foundation matched up to five percent (5%) of employees' wages totaling \$8,569 and \$13,786, respectively.

NOTE 13 - ECONOMIC DEPENDENCE

The Foundation receives an annual administrative grant from Anne Arundel County, Maryland. Under provisions included in the Operating Agreement, dated July 1, 2003, "the County shall provide an administrative grant to the Foundation in an amount to be agreed upon by the County and the Foundation to cover a portion of administrative costs related to public uses at the site." The Foundation shall utilize this funding in support of staffing, utilities, supplies and materials, and maintenance of the facilities and grounds necessary for the operation of the site. The amount of the grant for the years ended December 31, 2023 and 2022 totaled \$335,000 and \$290,000, respectively.

LONDON TOWN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 14 - COMMITMENTS

In May 2016, the Foundation and Anne Arundel County entered into an Operating Agreement for a term of ten (10) years beginning July 1, 2016. The lease requires no rental payments and an imputed value for building rent has not been recognized in the financial statements.

Upon acceptance of the operating agreement, property and equipment previously capitalized by the Foundation immediately became the property of Anne Arundel County, Maryland. The Foundation retains title and ownership of the historical collection and all operating equipment and furnishings for operation of the site.