

THE ARTS COUNCIL OF PRINCETON
Financial Statements
and
Independent Auditors' Report
Years Ended June 30, 2019 and 2018

THE ARTS COUNCIL OF PRINCETON
Years Ended June 30, 2019 and 2018

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To The Board of Trustees of
The Arts Council of Princeton
Princeton, New Jersey

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Arts Council of Princeton (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

To The Board of Trustees of
The Arts Council of Princeton
Princeton, New Jersey

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 Arts Council of Princeton as of June 30, 2019 and 2018, 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.

Emphasis of Matters

As discussed in the notes to the financial statements, The Arts Council of Princeton adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* effective July 1, 2018. Our opinion is not modified with respect to these matters.

Hamilton Financial Group, LLC

Mercerville, New Jersey
October 22, 2019

THE ARTS COUNCIL OF PRINCETON

Statements of Financial Position

June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 200,369 | \$ 170,705 |
| Grants receivable | 12,693 | 13,693 |
| Accounts and contributions receivable | 2,375 | 23,688 |
| Prepaid expenses | 41 | 1,040 |
| | 215,478 | 209,126 |
| Property and equipment – net | 4,982,096 | 5,154,611 |
| Investments | 1,233,756 | 1,229,666 |
| Total assets | \$ 6,431,330 | \$ 6,593,403 |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 16,305 | \$ 17,015 |
| Deferred revenue | 161,666 | 125,503 |
| Note payable, current portion | 17,165 | 366,946 |
| | 195,136 | 509,464 |
| Note payable, less current portion | 332,835 | - |
| Total liabilities | 527,971 | 509,464 |
| Net assets: | | |
| Net assets without donor restrictions | 4,669,603 | 4,851,773 |
| Net assets with donor restrictions | 1,233,756 | 1,232,166 |
| Total net assets | 5,903,359 | 6,083,939 |
| Total liabilities and net assets | \$ 6,431,330 | \$ 6,593,403 |

The accompanying notes are an integral part of these financial statements.

THE ARTS COUNCIL OF PRINCETON
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|--|---|------------------------------------|---------------------|---|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Support and revenues: | | | | | | |
| Program fees | \$ 759,061 | \$ - | \$ 759,061 | \$ 737,360 | \$ - | \$ 737,360 |
| Contributions and grants | 329,684 | - | 329,684 | 336,440 | 2,500 | 338,940 |
| Fundraising events | 119,284 | - | 119,284 | 209,615 | - | 209,615 |
| Investment income | 54,765 | 4,090 | 58,855 | 85,668 | 8,046 | 93,714 |
| Memberships | 38,190 | - | 38,190 | 34,840 | - | 34,840 |
| Noncash contributions | - | - | - | 62,500 | - | 62,500 |
| Subtotal | 1,300,984 | 4,090 | 1,305,074 | 1,466,423 | 10,546 | 1,476,969 |
| Net assets released due to satisfaction of time or purpose restrictions | 2,500 | (2,500) | - | - | - | - |
| Total support and revenue | 1,303,484 | 1,590 | 1,305,074 | 1,466,423 | 10,546 | 1,476,969 |
| Expenses: | | | | | | |
| Program services | 1,108,243 | - | 1,108,243 | 1,152,164 | - | 1,152,164 |
| Management and general | 231,964 | - | 231,964 | 263,762 | - | 263,762 |
| Fundraising | 145,447 | - | 145,447 | 210,069 | - | 210,069 |
| Total expenses | 1,485,654 | - | 1,485,654 | 1,625,995 | - | 1,625,995 |
| Change in net assets | (182,170) | 1,590 | (180,580) | (159,572) | 10,546 | (149,026) |
| Net assets, beginning of year | 4,851,773 | 1,232,166 | 6,083,939 | 5,011,345 | 1,221,620 | 6,232,965 |
| Net assets, end of year | <u>\$ 4,669,603</u> | <u>\$ 1,233,756</u> | <u>\$ 5,903,359</u> | <u>\$ 4,851,773</u> | <u>\$ 1,232,166</u> | <u>\$ 6,083,939</u> |

The accompanying notes are an integral part of these financial statements.

THE ARTS COUNCIL OF PRINCETON
Statements of Functional Expenses
Year Ended June 30, 2019

| | Program Services | | | | Supporting Services | | | Total Expenses |
|-----------------------------------|-------------------|-----------------------|--------------------|---------------------|------------------------------|---------------------------|-------------------|---------------------|
| | Education | Community Programs | Presenting Arts | General Programs | Total Program Services | Management and General | Fundraising | |
| Personnel | \$ 199,741 | \$ 138,436 | \$ 84,346 | \$ 35,145 | \$ 457,668 | \$ 150,835 | \$ 94,185 | \$ 702,688 |
| Artists | 131,768 | 65,308 | 37,258 | 8,009 | 242,343 | 10,564 | 13,601 | 266,508 |
| Depreciation expense | 73,725 | 50,463 | 26,881 | 9,371 | 160,440 | 12,075 | - | 172,515 |
| Maintenance and utilities | 52,173 | 36,001 | 18,953 | 7,143 | 114,270 | 12,535 | 500 | 127,305 |
| Consultants and professional fees | 2,000 | 6,480 | 2,000 | 1,840 | 12,320 | 21,532 | 9,190 | 43,042 |
| Insurance | 10,209 | 5,149 | 4,966 | 616 | 20,940 | 7,436 | - | 28,379 |
| Supplies | 12,148 | 7,766 | 1,400 | 322 | 21,636 | 2,451 | 3,103 | 27,190 |
| Lease and rental charges | 296 | 13,783 | 296 | 148 | 14,523 | 2,631 | 4,544 | 21,698 |
| Services fees | 12,054 | 3,813 | 795 | 323 | 16,985 | 2,077 | 2,189 | 21,251 |
| Computer and IT support | 7,716 | 2,605 | 1,496 | 748 | 12,565 | 5,984 | 1,668 | 20,217 |
| Interest | 8,115 | 5,555 | 2,959 | 1,032 | 17,661 | 1,329 | - | 18,990 |
| Postage and printing | 202 | 1,224 | 1,461 | 473 | 3,360 | 1,058 | 9,399 | 13,817 |
| Food and refreshments | - | 3,113 | 3,443 | - | 6,556 | - | 5,222 | 11,778 |
| Media and publicity | 2,000 | 400 | 599 | - | 2,999 | 360 | 1,137 | 4,496 |
| Dues, permits and penalties | 406 | 644 | 234 | 51 | 1,335 | 1,097 | 701 | 3,133 |
| Travel | - | 2,642 | - | - | 2,642 | - | 8 | 2,650 |
| Total expenses | \$ 512,553 | \$ 343,382 | \$ 187,087 | \$ 65,221 | \$ 1,108,243 | \$ 231,964 | \$ 145,447 | \$ 1,485,654 |

The accompanying notes are an integral part of these financial statements.

THE ARTS COUNCIL OF PRINCETON
Statements of Functional Expenses
Year Ended June 30, 2018

| | Program Services | | | | Supporting Services | | | Total Expenses |
|-----------------------------------|-------------------|-----------------------|--------------------|-------------------|------------------------------|-------------------------|-------------------|---------------------|
| | Education | Community Programs | Presenting Arts | Other Programs | Total Program Services | Management & General | Fundraising | |
| Personnel | \$ 175,813 | \$ 140,603 | \$ 69,243 | \$ 33,005 | \$ 418,664 | \$ 187,400 | \$ 114,595 | \$ 720,659 |
| Artists | 133,236 | 59,507 | 42,296 | 9,798 | 244,837 | 441 | 23,152 | 268,430 |
| Depreciation expense | 66,809 | 53,867 | 24,271 | 15,492 | 160,439 | 12,076 | - | 172,515 |
| Maintenance and utilities | 49,512 | 39,674 | 16,394 | 13,753 | 119,333 | 12,881 | 585 | 132,799 |
| Donated facilities | 15,625 | 23,438 | 15,625 | 7,812 | 62,500 | - | - | 62,500 |
| Lease and rental charges | - | 11,150 | - | - | 11,150 | 6,308 | 23,171 | 40,629 |
| Consultants and professional fees | 2,660 | 8,810 | 3,040 | 1,310 | 15,820 | 17,745 | 2,640 | 36,205 |
| Supplies | 13,515 | 7,105 | 2,675 | 974 | 24,269 | 2,041 | 8,501 | 34,811 |
| Insurance | 10,314 | 5,715 | 4,913 | 2,160 | 23,102 | 8,732 | 658 | 32,492 |
| Food and refreshments | 32 | 3,677 | 816 | 14 | 4,539 | 590 | 18,623 | 23,752 |
| Computer and IT support | 7,071 | 3,152 | 2,101 | 1,051 | 13,375 | 8,402 | 777 | 22,554 |
| Interest | 8,297 | 6,690 | 3,014 | 1,924 | 19,925 | 1,500 | - | 21,425 |
| Service fees | 12,829 | 1,344 | 401 | 1,070 | 15,644 | 2,306 | 3,213 | 21,163 |
| Postage and printing | 110 | 2,098 | 5,355 | 53 | 7,616 | 989 | 12,081 | 20,686 |
| Dues, permits and penalties | 392 | 4,125 | 146 | 88 | 4,751 | 1,090 | 913 | 6,754 |
| Travel | 428 | 3,099 | 265 | 74 | 3,866 | 170 | 359 | 4,395 |
| Advertising and marketing | 1,497 | 265 | 566 | 6 | 2,334 | 1,091 | 801 | 4,226 |
| Total expenses | \$ 498,140 | \$ 374,319 | \$ 191,121 | \$ 88,584 | \$ 1,152,164 | \$ 263,762 | \$ 210,069 | \$ 1,625,995 |

The accompanying notes are an integral part of these financial statements.

THE ARTS COUNCIL OF PRINCETON

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (180,580) | \$ (149,026) |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | | |
| Depreciation | 172,515 | 172,515 |
| Realized and unrealized holding (gains) losses | (25,396) | (78,682) |
| Loss on disposal of assets | - | 193 |
| Changes in assets and liabilities: | | |
| Grants receivable | 1,000 | 6,000 |
| Accounts and contributions receivable | 21,313 | 17,014 |
| Prepaid expenses | 999 | (1,040) |
| Accounts payable and accrued expenses | (710) | 2,053 |
| Deferred revenue | 36,163 | 37 |
| Net cash (used in) operating activities | <u>25,304</u> | <u>(30,936)</u> |
| Investing activities: | | |
| Purchases of investments | (33,188) | (14,698) |
| Sale of investments | 54,494 | 52,427 |
| Net cash provided by investing activities | <u>21,306</u> | <u>37,729</u> |
| Financing activities: | | |
| Principal payments on note payable | (366,946) | (37,688) |
| Proceeds from note payable | 350,000 | - |
| Net cash (used in) financing activities | <u>(16,946)</u> | <u>(37,688)</u> |
| Net (decrease) in cash and cash equivalents | <u>(29,664)</u> | <u>(30,895)</u> |
| Cash and cash equivalents, beginning of year | <u>17,705</u> | <u>201,600</u> |
| Cash and cash equivalents, end of year | <u>\$ 200,369</u> | <u>\$ 170,705</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | <u>\$ 18,99</u> | <u>\$ 21,426</u> |
| Non cash contributions - securities | <u>\$ 3,975</u> | <u>\$ 5,060</u> |
| Non cash contributions - rent | <u>\$ -</u> | <u>\$ 62,500</u> |

The accompanying notes are an integral part of these financial statements.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

1. Nature of Organization

The Arts Council of Princeton (the Organization) is a nonprofit organization incorporated under the laws of the State of New Jersey. The Organization has a mission of building community through the arts. The Arts Council, housed in the landmark Paul Robeson Center for the Arts, fulfills its mission by presenting a wide range of arts education, exhibition, performing arts and community programs designed to be high-quality, engaging, affordable and accessible for the diverse population of the greater Princeton region.

2. Summary of Significant Accounting Policies

Basis of accounting:

The Organization utilizes the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Basis of presentation:

The Organization classifies resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by the passage of time or by the fulfillment by the actions of the Organization.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets are reported as reclassifications between the applicable classes of net assets. The Organization adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were net in the year the contribution was received.

Revenue and support recognition:

Contributions, which include unconditional promises to give, are recognized in the period in which they are received or promised. Contributions are considered to be, contributions without donor restrictions unless specifically restricted by the donor.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue and support recognition: (continued)

Revenue is recognized when earned. Monies received in advance of programs are recorded as deferred revenue on the statement of financial position.

Contributions receivable represent amounts committed by donors that have not been received by the Organization. Contributions receivable with donor-imposed restrictions that limit their use to long-term purposes are classified as a noncurrent asset.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, they are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

The Organization accounts for contract and grant revenues, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purposes specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract is recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usages, which are exchange transactions, are accounted for as deferred revenue in the statement of financial position.

Allocation of expenses:

Expenses are allocated among program service, management and general and fundraising using the direct cost method and based on historical percentages or other reasonable basis consistent with the benefit derived by each program.

Income taxes:

The Organization is exempt from federal taxes under section 501 (c) (3) of the Internal Revenue Service Code. Accordingly, no provision for Federal or State income taxes has been recorded in the financial statements.

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that computations of current and deferred income

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Income taxes: (continued)

taxes only consider tax positions that are more than likely than not to be sustained if the tax authorities examine a position. The Organization evaluates statutes of limitations changes in tax law and new authoritative rulings and accrues for liabilities if applicable. The Organization's analysis found no uncertain tax positions.

Federal and state tax returns are subject to examination by the taxing authorities generally for a period of three years after they are filed. Any penalties and interest assessed by taxing authorities are included in operating expenses. There were no interest or penalties for the years ended June 30, 2019 and 2018.

Property and equipment:

Property and equipment is recorded at cost. Generally, acquisitions over \$2,500 are capitalized. Maintenance and repairs that do not improve or extend the lives of assets are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. At time of retirement or other disposition of assets the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in revenues or expenses.

Contributed property and equipment is recorded at fair value at the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Cash and cash equivalents:

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. This includes money market accounts with brokerage firms.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Advertising and marketing:

The Organization expenses advertising and marketing costs as they are incurred. For the years ended June 30, 2019 and 2018 advertising expense was \$4,496 and \$4,226, respectively.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts:

No allowance for doubtful accounts is deemed necessary. Bad debts are written off when they are deemed uncollectible.

Donated space:

The Organization received donated space from a for profit business located in Princeton. The space is used to provide program services. The value of all donated space included in these financial statements is \$62,500 for the year ended June 30, 2018. As of July 1, 2018, the Organization no longer utilized the space.

Investments:

The Organization carries investments in marketable securities with readily determinable values and all investments in debt securities at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. In accordance with FASB ASC 820-10-50, Fair Value Measurements establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Investments: (continued)

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair value of financial instruments:

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2019 and 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Special events:

The Organization reports special fund-raising event income based upon the gross amounts received.

Deferred revenue:

Deferred revenue at June 30, 2019 and 2018 consisted of tuition paid in advance and sponsorships for events held in the next fiscal year.

Subsequent events:

The Organization has evaluated subsequent events through October 22, 2019, the date the financial statements were available to be issued.

Recent accounting pronouncements:

The Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective July 1, 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The change focuses on reclassifying the previous unrestricted net assets, temporarily restricted net assets and permanently restricted net assets into two categories, without donor restrictions and with donor restrictions. There was no significant change due to the implementation of the new guidance.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements: (continued)

However, the financial statements include a new disclosure about liquidity and availability of resources.

3. Grants Receivable

Grants receivable at June 30, 2019 and 2018 consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| New Jersey State Council for the Arts | \$ 12,693 | \$ 12,693 |
| New Jersey State Council for the Humanities | - | 1,000 |
| | <u>\$ 12,693</u> | <u>\$ 13,693</u> |

4. Investments

Investments at June 30, 2019 and 2018 consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|---------------------|---------------------|
| Investments, beginning of period | \$ 1,229,666 | \$ 1,188,713 |
| Contributions (withdrawals) | (54,494) | (52,427) |
| Dividends and interest reinvested | 41,589 | 22,626 |
| Investment fees | (8,401) | (7,928) |
| Unrealized/realized gains/(losses) | 25,396 | 78,682 |
| | <u>\$ 1,233,756</u> | <u>\$ 1,229,666</u> |

Three investment accounts are held in pooled funds invested with Princeton Area Community Foundation (PACF). As a participant in the pooled funds, the Organization's ownership interest is based on an allocation of the fair value of the Organization's units to the total fair value of the total investment pool. The pool is revalued periodically and income, gains and losses are allocated to the participants based on their units. All investments are measured at fair value in the statement of financial position. The change in fair value is included in investment income.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There has been no change to the methodologies used at June 30, 2019 and 2018.

Pooled investments are valued using a level 2 standard at the net asset value (NAV) of the units of the total pooled amounts. The NAV, as provided by PACF is used as the practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the pool less its liabilities. The practical expedient is not used when it is probable that the fund will sell the investments for an amount different than the reported NAV. Participant transactions may occur daily. Were the pooled investments to initiate a full redemption of the investment, the

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

4. Investments (continued)

investment advisor reserves the right to temporarily delay withdrawal from the investment in order to ensure that securities liquidation will be carried out in an orderly manner.

Included in the above amounts are mutual funds with a fair market value of \$158,379 and \$158,714 and a cost of \$140,734 and \$140,734 for the years ended June 30, 2019 and 2018, respectively. These amounts are not in pooled funds. These investments are valued using level 1 inputs.

The Organization maintains three funds at PACF and one fund at Morgan Stanley. The Waxwood Fund was established by the Arts Council of Princeton (ACP) in 1988. The fund is used to award scholarships to students from the Witherspoon-Jackson neighborhood to attend classes at the ACP. The Galbraith Fund was established in 2012. This fund is used for programs for disadvantaged youth under the age of 18. The J. Seward Johnson Fund was established in 2007 to support community programs and events that benefit the Witherspoon-Jackson Neighborhood. The Evans Fund was established in 2011. This fund is used to award scholarships for ACP classes for talented high school or college students. All four funds are permanently restricted funds. Permanently restricted funds are subject to donor-imposed restrictions that the principal be invested in perpetuity. Income generated from the funds may be used for the donor's specified purpose.

5. Property and Equipment

Property and equipment at June 30, 2019 and 2018 consisted of the following:

| | Useful Lives Years | 2019 | 2018 |
|-----------------------------|--------------------------|---------------------|---------------------|
| Land | | \$ 35,000 | \$ 35,000 |
| Building and improvements | 7-40 | 6,912,011 | 6,912,011 |
| Equipment | 5-30 | 102,633 | 102,633 |
| Furniture and fixtures | 5-7 | 140,590 | 140,590 |
| Computer equipment | 5 | 42,324 | 42,324 |
| | | <u>7,232,558</u> | <u>7,232,558</u> |
| Accumulated depreciation | | <u>(2,250,462)</u> | <u>(2,077,947)</u> |
| Property and equipment, net | | <u>\$ 4,982,096</u> | <u>\$ 5,154,611</u> |

Depreciation expense amounted to \$172,515 for both years ended June 30, 2019 and 2018.

The land on which the Organization's building is located was purchased from Princeton Township. The deed for the property includes a "reverter" clause, restricting the use of the property for non-profit use and not for commercial, trade, or manufacture. If the property is not used as specified in the clause, title shall revert to Princeton Municipality.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

6. Deferred Revenue

Deferred revenue at June 30, 2019 and 2018 represents payments received in advance for programs to be held in the subsequent year and consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|-----------------|-------------------|-------------------|
| Summer programs | \$ 140,866 | \$ 114,003 |
| Other | <u>20,800</u> | <u>11,500</u> |
| | <u>\$ 161,666</u> | <u>\$ 125,503</u> |

7. Note Payable

The Organization refinanced their note payable during the year ended June 30, 2019. The note is for \$350,000 and bears interest at a rate of 4.375% for the first 10 years and prime plus 2.50% for the remaining five years. The loan is due June 2034. Monthly payments at June 30, 2019 are \$2,667.

Future minimum principal payments are as follows at June 30:

| | |
|---------------------|-----------|
| 2020 | \$ 17,165 |
| 2021 | 17,781 |
| 2022 | 18,575 |
| 2023 | 19,405 |
| 2024 | 20,270 |
| 2025 and thereafter | 256,804 |

8. Net Assets – With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Programs | \$ - | \$ 2,500 |
| Accumulated earnings of investments | 97,093 | 93,003 |
| Permanently restricted endowment funds | <u>1,136,663</u> | <u>1,136,663</u> |
| | <u>\$ 1,233,756</u> | <u>\$ 1,232,166</u> |

9. Equipment Leases

The Organization leases office equipment. The lease expires during May 2023. Monthly payments total \$179.

THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

9. Equipment Leases (continued)

Future minimum payments at June 30, 2019 are as follows:

| | |
|------|-------|
| 2020 | 2,148 |
| 2021 | 2,148 |
| 2022 | 2,148 |
| 2023 | 1,611 |

10. Concentration of Credit Risk

The Organization receives a majority of its support and revenues from public support. This funding is subject to annual renewal. The Organization maintains its cash balances at local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation.

11. Financial Assets and Liquidity

The Organization has certain donor-restricted net assets that may be available for general expenditures within one year of June 30, 2019, because the restrictions on the net assets are expected to be met in the normal course of operations or can be redesignated by the Board of Directors. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

The following reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 200,369 | \$ 170,75 |
| Grants receivable | 15,068 | 37,381 |
| Investments | <u>1,233,756</u> | <u>1,233,756</u> |
| | 1,449,193 | 1,441,842 |
| Less: investment restricted by donors | <u>(1,136,663)</u> | <u>(1,136,663)</u> |
| Total financial assets available within one year | <u>\$ 312,530</u> | <u>\$ 305,179</u> |