

**THE ARTS COUNCIL OF PRINCETON**  
Financial Statements  
and  
Independent Auditors' Report  
*Years Ended June 30, 2017 and 2016*

**THE ARTS COUNCIL OF PRINCETON**  
*Years Ended June 30, 2017 and 2016*

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# Civale, Silvestri, Alfieri, Martin & Higgins, LLC

CERTIFIED PUBLIC ACCOUNTANTS

a member of

Hamilton Financial Group, LLC  
FINANCIAL AND INSURANCE SERVICES

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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, 2017 and 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

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 2017 financial statements referred to above present fairly, in all material respects, the financial position of The Arts Council of Princeton as of June 30, 2017 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 of America.

### **Prior Period Financial Statements**

The financial statements as of, and for the year ended, June 30, 2016 were audited by Lewis W. Parker, III CPA who was acquired by Hamilton Financial Group, LLC as of October 23, 2017, and whose report dated November 10, 2016, expressed an unmodified opinion on those statements.

*Hamilton Financial Group, LLC*

January 17, 2018  
Mercerville, New Jersey

**THE ARTS COUNCIL OF PRINCETON**  
**Statements of Financial Position**  
*June 30, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 201,600	\$ 288,765
Grants receivable	18,693	14,225
Accounts receivable	2,500	14,950
Contributions receivable	39,202	-
	<hr/>	<hr/>
Total current assets	261,995	317,940
<b>Property and equipment – net</b>	5,327,319	5,507,641
<b>Investments</b>	1,188,713	1,103,766
	<hr/>	<hr/>
Total assets	<u>\$ 6,778,027</u>	<u>\$ 6,929,347</u>
 <u>Liabilities and Net Assets</u>		
<b>Current liabilities:</b>		
Accounts payable	\$ 2,440	\$ 4,348
Accrued expenses	12,522	12,407
Deferred revenue	125,466	149,636
Note payable, current portion	37,981	35,957
	<hr/>	<hr/>
Total current liabilities	178,409	202,348
<b>Note payable, less current portion</b>	366,653	404,295
	<hr/>	<hr/>
Total liabilities	545,062	606,643
 <b>Net assets:</b>		
Unrestricted	5,011,345	5,166,801
Temporarily restricted	84,957	19,240
Permanently restricted	1,136,663	1,136,663
	<hr/>	<hr/>
Total net assets	6,232,965	6,322,704
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 6,778,027</u>	<u>\$ 6,929,347</u>

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, 2017 and 2016**

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues:</b>								
Program fees	\$ 867,412	-	\$ -	\$ 867,412	\$ 881,666	-	\$ -	\$ 881,666
Contributions and grants	459,076	-	-	459,076	362,978	-	-	362,978
Investment income	60,352	84,957	-	145,309	1,817	-	-	1,817
Fundraising events	139,110	-	-	139,110	247,720	-	-	247,720
Noncash contributions	62,500	-	-	62,500	62,500	-	-	62,500
Memberships	41,740	-	-	41,740	46,885	-	-	46,885
Subtotal	1,630,190	84,957	-	1,715,147	1,603,566	-	-	1,603,566
Net assets released due to satisfaction of time or purpose restrictions	19,240	(19,240)	-	-	93,294	(93,294)	-	-
Total support and revenue	1,649,430	65,717	-	1,715,147	1,696,860	(93,294)	-	1,603,566
<b>Expenses:</b>								
Program	1,323,968	-	-	1,323,968	1,303,326	-	-	1,303,326
General and administrative	376,021	-	-	376,021	363,298	-	-	363,298
Fundraising	104,897	-	-	104,897	164,695	-	-	164,695
Total expenses	1,804,886	-	-	1,804,886	1,831,319	-	-	1,831,319
Change in net assets	(155,456)	65,717	-	(89,739)	(134,459)	(93,294)	-	(227,753)
Net assets, beginning of year	5,166,801	19,240	1,136,663	6,322,704	5,301,260	112,534	1,136,663	6,550,457
Net assets, end of year	\$ 5,011,345	\$ 84,957	\$ 1,136,663	\$ 6,232,965	\$ 5,166,801	\$ 19,240	\$ 1,136,663	\$ 6,322,704

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

**THE ARTS COUNCIL OF PRINCETON**  
 Statements of Functional Expenses  
 Year Ended June 30, 2017

	Program Services					Supporting Services		Total Expenses
	Education	Community Programs	Presenting Arts	Other Programs	Total Program Services	Management & General	Fundraising	
Personnel	\$ 204,971	\$ 91,568	\$ 92,065	\$ 51,455	\$ 440,059	\$ 270,498	\$ 29,317	\$ 739,874
Artists	140,897	158,677	41,419	23,409	364,402	7,620	12,696	384,718
Depreciation	65,945	53,077	25,735	16,084	160,841	19,481	-	180,322
Maintenance and Utilities	53,784	42,865	21,635	16,721	135,005	15,012	-	150,017
Donated Facilities	-	-	-	62,500	62,500	-	-	62,500
Supplies	16,634	6,971	4,382	1,589	29,576	3,309	4,602	37,487
Food and Refreshments	27	2,769	1,080	197	4,073	986	27,341	32,400
Insurance	9,119	5,404	5,100	2,380	22,003	9,176	239	31,418
Service Fees	13,819	7,356	316	1,962	23,453	2,203	3,860	29,516
Consultants/Professional Services	88	17,406	-	7,500	24,994	19,100	11,480	55,574
Lease and Rental Charges	-	12,266	350	-	12,616	6,082	6,170	24,868
Interest	8,960	7,212	3,497	2,185	21,854	1,645	-	23,499
Postage and Printing	806	3,278	6,024	124	10,232	2,731	-	21,737
Computer and IT Support	371	-	-	-	371	14,050	8,774	14,421
Media and Publicity	1,969	625	798	427	3,819	2,299	22	6,140
Dues, Permits and Penalties	671	3,067	151	94	3,983	1,329	103	5,415
Travel	412	3,100	532	143	4,187	500	293	4,980
<b>Total expenses</b>	<b>\$ 518,473</b>	<b>\$ 415,641</b>	<b>\$ 203,084</b>	<b>\$ 186,770</b>	<b>\$ 1,323,968</b>	<b>\$ 376,021</b>	<b>\$ 104,897</b>	<b>\$ 1,804,886</b>

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

**THE ARTS COUNCIL OF PRINCETON**  
 Statements of Functional Expenses  
 Year Ended June 30, 2016

	Program Services					Supporting Services			Total Expenses
	Education	Community Programs	Presenting Arts	Other Programs	Total Program Services	Management & General	Fundraising		
Personnel	\$ 201,208	\$ 142,913	\$ 32,110	\$ 113,447	\$ 489,678	\$ 236,157	\$ 74,307	\$	800,142
Artists	170,588	37,138	76,479	5,991	290,196	2,248	17,392		309,836
Depreciation	78,446	43,581	26,149	26,149	174,324	27,870	-		202,195
Maintenance and utilities	58,077	31,398	18,735	25,614	133,824	14,378	500		148,702
Donated facilities	-	-	-	62,500	62,500	-	-		62,500
Consultants/ Professional Services	-	10,325	-	-	10,325	39,393	-	4,000	53,718
Supplies	15,053	8,994	2,954	1,890	28,891	1,306	8,078		38,275
Food and refreshments	50	3,315	2,491	580	6,436	1,907	29,715		38,058
Postage and printing	1,425	4,663	12,681	910	19,679	3,998	12,537		36,214
Service fees	14,251	7,440	1,055	1,908	24,654	1,801	5,562		32,017
Insurance	7,882	4,370	3,798	2,823	18,873	8,319	-		27,192
Interest	10,735	5,964	3,578	3,578	23,856	1,796	-		25,651
Lease and rental charges	-	10,964	804	-	11,768	3,218	-	10,171	25,157
Computer and IT support	1,231	-	101	-	101	16,990	130		17,221
Media and publicity	273	795	521	179	2,726	2,031	623		5,380
Travel	446	3,195	427	40	3,935	347	685		4,967
Dues, permits and penalties	-	556	141	417	1,561	1,539	995		4,094
<b>Total expenses</b>	<b>\$ 559,665</b>	<b>\$ 315,611</b>	<b>\$ 182,024</b>	<b>\$ 246,026</b>	<b>\$ 1,303,326</b>	<b>\$ 363,298</b>	<b>\$ 164,695</b>	<b>\$</b>	<b>\$ 1,831,319</b>

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



**THE ARTS COUNCIL OF PRINCETON**

Statements of Cash Flows

*Years Ended June 30, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (89,739)	\$ (227,753)
Adjustments to reconcile change in net assets		
cash used by operating activities:		
Depreciation and amortization	180,322	202,195
Realized and unrealized holding (gains) losses	(130,430)	34,990
Changes in assets and liabilities:		
Grants receivable	(4,468)	(1,231)
Accounts receivable	4,950	(14,750)
Contributions receivable	(31,702)	5,000
Accounts payable	(1,908)	(597)
Accrued expenses	115	223
Deferred revenue	(24,170)	11,360
	<u>(97,030)</u>	<u>9,437</u>
Net cash provided by (used in) operating activities		
<b>Investing activities:</b>		
Purchases of investments	(10,620)	(36,092)
Sale of investments	56,112	68,813
	<u>45,483</u>	<u>32,721</u>
Net cash provided by investing activities		
<b>Financing activities:</b>		
Principal payments on note payable	(35,618)	(33,471)
	<u>(35,618)</u>	<u>(33,471)</u>
Net cash used in financing activities		
<b>Net increase (decrease) in cash</b>	(87,165)	8,687
Cash and cash equivalents, beginning of year	288,765	280,078
<b>Cash and cash equivalents, end of year</b>	<u>\$ 201,600</u>	<u>\$ 288,765</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 23,500	\$ 25,652
Non cash contributions - securities	\$ 4,045	\$ 2,035
Non cash contributions - rent	\$ 62,500	\$ 62,500

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

# THE ARTS COUNCIL OF PRINCETON

## Notes to Financial Statements

*Years Ended June 30, 2017 and 2016*

### **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 with they are incurred.

Basis of presentation:

The Organization classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the years ended June 30, 2017 and 2016 the Organization had accounting transactions in all three of the net asset categories as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met by the passage of time or by some action of the organization.
- Permanently restricted net assets – Net assets which are endowment funds or funds to be held in perpetuity. The income from the assets can be used to support the Organization’s general activities, unless the donor specifies otherwise.

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 unrestricted unless specifically restricted by the donor.

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

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2017 and 2016*

### 2. Summary of significant accounting policies (continued)

Revenue and support recognition: (continued)

The Organization reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted contributions.

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, 2017 and 2016*

### **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, 2017 and 2016.

#### 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, 2017 and 2016 advertising expense was \$6,140 and \$5,381, respectively.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2017 and 2016*

### 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 Arts Council receives donated space from a for profit business located in Princeton. The space is used to run programs. The value of all donated space included in these financial statements is \$62,500 for the years ended June 30, 2017 and 2016.

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, 2017 and 2016*

### **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, 2017 and 2016, 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, 2017 and 2016 consists of tuition paid in advance and sponsorships for events held in the next fiscal year.

Reclassification:

Certain items relating to the year ended June 30, 2016 have been reclassified to conform with the current year's presentation.

Subsequent events:

The Organization has evaluated subsequent events through January 17, 2018, the date the financial statements were available to be issued.

**THE ARTS COUNCIL OF PRINCETON**

Notes to Financial Statements

*Years Ended June 30, 2017 and 2016*

**3. Grants receivable**

Grants receivable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
National Endowment for the Arts	\$ 5,000	\$ -
New Jersey State Council for the Arts	12,693	12,694
New Jersey State Council for the Humanities	1,000	1,531
	<u>\$ 18,693</u>	<u>\$ 14,225</u>

**4. Investments**

Investments as of, and for the years ended June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Investments, beginning of period	\$ 1,103,766	\$ 1,163,230
Contributions (withdrawals)	(51,430)	(52,739)
Dividends and interest reinvested	13,182	36,095
Investment fees	(7,235)	(7,830)
Unrealized/realized (losses)	130,430	(34,990)
	<u>\$ 1,188,713</u>	<u>\$ 1,103,766</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 as temporarily restricted net assets.

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, 2017 and 2016.

# THE ARTS COUNCIL OF PRINCETON

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### 4. Investments (continued)

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 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 \$158,714 and a cost of \$140,734. 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 consists of the following at June 30:

	<u>Useful Lives</u> Years	<u>2017</u>	<u>2016</u>
Land		\$ 35,000	\$ 35,000
Building	40	6,912,557	6,912,557
Equipment	5-30	102,633	102,633
Furniture and fixtures	5-7	141,010	141,010
Computer equipment	5	73,119	73,119
		<u>7,264,319</u>	<u>7,264,319</u>
Accumulated depreciation		<u>(1,937,000)</u>	<u>(1,756,678)</u>
Property and equipment, net		<u>\$ 5,327,319</u>	<u>\$ 5,507,641</u>



**THE ARTS COUNCIL OF PRINCETON**

Notes to Financial Statements

*Years Ended June 30, 2017 and 2016*

**5. Property and equipment (continued)**

Depreciation expense amounted to \$180,322 and \$202,195 for the years ended June 30, 2017 and 2016, respectively.

Restrictions on use: The deed for the property includes a “reverter” clause, restricting the use of the property to the purposes of the Organization and not for commercial, trade, or manufacture. If the property is not used as specified in the clause, title shall revert to Princeton Municipality.

**6. Deferred revenue**

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

	<u>2017</u>	<u>2016</u>
Summer programs	\$ 113,966	\$ 134,636
Other	<u>11,500</u>	<u>15,000</u>
	<u>\$ 125,466</u>	<u>\$ 149,636</u>

**7. Note payable**

The Organization has a loan payable to a bank, that matures in May 2019. The original loan amount was \$1,400,000. The original interest rate was 6.05%, however the loan was modified in May 2013 to reduce the interest rate to 5.49% for the remaining life of the loan. Monthly payments are \$4,933, with a balloon payment due May 2019. The loan is secured by the Organization’s building. The outstanding balance on June 30, 2017 and June 30, 2016 was \$404,634 and \$440,252.

Future minimum principal payments are as follows at June 30:

2018	\$	37,981
2019		366,653

**8. Net assets – temporarily restricted**

Temporarily restricted net assets at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets:		
5 in 5 campaign	\$ -	\$ 19,240
Investment income	<u>84,957</u>	<u>-</u>
	<u>\$ 84,957</u>	<u>\$ 19,240</u>

**THE ARTS COUNCIL OF PRINCETON**

Notes to Financial Statements

*Years Ended June 30, 2017 and 2016*

**9. Net assets – permanently restricted**

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. Permanently restricted net assets consisted of the following balances on June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets:		
Waxwood Memorial (scholarships)	\$ 40,000	\$ 40,000
J. Seward Johnson Sr. Charitable Trust (communitiy support)	250,000	250,000
Evans Endowment (scholarships)	147,000	147,000
Galbraith Endowment (youth programs)	699,663	699,663
	\$ 1,136,663	\$ 1,136,663

**10. Fundraising events**

Fundraising events consisted of the following at June 30, 2017 and 2016:

	<u>Revenues</u>	<u>2017</u> <u>Expenses</u>	<u>Net Income</u>
Dining by Design	\$ 139,110	\$ 39,239	\$ 99,871
		<u>2016</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Net Income</u>
Pinot to Picasso	\$ 76,065	\$ 15,548	\$ 60,517
Dining by Design	171,655	34,556	137,099
Total	\$ 247,720	\$ 50,104	\$ 197,616

**11. 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.