

**THE ARTS COUNCIL OF PRINCETON**  
Financial Statements  
and  
Independent Auditors' Report  
*Years Ended June 30, 2022 and 2021*

**THE ARTS COUNCIL OF PRINCETON**  
*Years Ended June 30, 2022 and 2021*

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

## INDEPENDENT AUDITORS' REPORT

### **Report on the Audit of the Financial Statements**

#### **Opinion**

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, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Arts Council of Princeton as of June 30, 2022 and 2021, 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 The Arts Council of Princeton 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 opinions.

#### **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 The Arts Council of Princeton's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

### **Auditors' 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 auditors' 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 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 The Arts Council of Princeton'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 The Arts Council of Princeton'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.

*Hamilton Financial Group, LLC*

Mercerville, New Jersey  
March 9, 2023

# THE ARTS COUNCIL OF PRINCETON

## Statements of Financial Position

*June 30, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 438,435	\$ 603,531
Grants receivable	18,943	12,693
Accounts and contributions receivable	<u>4,324</u>	<u>184</u>
Total current assets	461,702	616,408
<b>Property and equipment – net</b>	4,529,315	4,664,296
<b>Investments</b>	<u>1,580,758</u>	<u>1,513,946</u>
Total assets	<u><u>\$ 6,571,775</u></u>	<u><u>\$ 6,794,650</u></u>
 <u>Liabilities and Net Assets</u>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 39,680	\$ 46,869
Grants payable	26,369	2,088
Deferred revenue	207,493	178,474
Grant advance SBA-PPP loan	-	30,505
Note payable, current portion	<u>22,780</u>	<u>21,999</u>
Total current liabilities	296,322	279,935
<b>Note payable, less current portion</b>	<u>424,402</u>	<u>443,544</u>
Total liabilities	<u>720,724</u>	<u>723,479</u>
<b>Net assets:</b>		
Net assets without donor restrictions	4,570,283	4,557,225
Net assets with donor restrictions	<u>1,280,768</u>	<u>1,513,946</u>
Total net assets	<u>5,851,051</u>	<u>6,071,171</u>
Total liabilities and net assets	<u><u>\$ 6,571,175</u></u>	<u><u>\$ 6,794,650</u></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, 2022 and 2021*

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues:</b>						
Program fees	\$ 838,297	\$ -	\$ 838,297	\$ 498,755	\$ -	\$ 498,755
Contributions and grants	395,257	-	395,257	385,530	-	385,530
Fundraising events	187,749	-	187,749	67,172	-	67,172
Government grants	103,347	-	103,347	212,156	-	212,156
Memberships	41,970	-	41,970	41,515	-	41,515
SBA-PPP forgiveness	30,505	-	30,505	185,226	-	185,226
Investment income	9,489	(173,254)	(163,765)	64,807	276,434	341,241
Subtotal	1,606,614	(173,254)	1,433,360	1,455,161	276,434	1,731,595
Net assets released due to satisfaction of time or purpose restrictions	59,924	(59,924)	-	-	-	-
Total support and revenue	1,666,538	(233,178)	1,433,360	1,455,161	276,434	1,731,595
<b>Expenses:</b>						
Program services	1,222,592	-	1,222,592	950,613	-	950,613
Management and general	231,901	-	231,901	205,745	-	205,745
Fundraising	198,987	-	198,987	194,171	-	194,171
Total expenses	1,653,480	-	1,653,480	1,350,529	-	1,350,529
<b>Change in net assets</b>	13,058	(233,178)	(220,120)	104,632	276,434	381,066
Net assets, beginning of year	4,557,225	1,513,946	6,071,171	4,452,593	1,237,512	5,690,105
<b>Net assets, end of year</b>	<u>\$ 4,570,283</u>	<u>\$ 1,280,768</u>	<u>\$ 5,851,051</u>	<u>\$ 4,557,225</u>	<u>\$ 1,513,946</u>	<u>\$ 6,071,171</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, 2022*

	Education	Community Programs	Presenting Arts	General Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 215,868	\$ 149,716	\$ 83,687	\$ 36,403	\$ 485,674	\$ 145,835	\$ 126,612	\$ 758,121
Artists	165,812	42,611	29,896	1,692	240,011	6,685	14,717	261,413
Depreciation expense	88,806	44,027	24,475	8,111	165,419	12,451	-	177,870
Maintenance and utilities	89,591	40,234	24,114	7,455	161,394	12,394	399	174,187
Computer and IT support	23,925	6,123	4,596	1,736	36,380	16,070	13,237	65,687
Supplies	33,300	11,117	2,192	1,735	48,344	2,810	6,033	57,187
Insurance	13,106	5,698	3,168	1,050	23,022	13,700	-	36,722
Service fees	13,793	9,856	1,773	426	25,848	2,269	4,125	32,242
Food and refreshments	42	2,581	3,028	-	5,651	1,609	16,746	24,006
Postage and printing	-	6,579	810	272	7,661	-	8,701	16,362
Consultants and professional fees	558	226	154	102	1,040	14,478	503	16,021
Interest	7,520	3,728	2,072	687	14,007	1,054	-	15,061
Lease and rental charges	286	429	286	143	1,144	2,000	5,235	8,379
Media and publicity	2,134	1,915	490	140	4,679	73	1,750	6,502
Dues, permits and penalties	592	-	151	45	788	473	777	2,038
Travel	1,024	506	-	-	1,530	-	152	1,682
Total expenses	<u>\$ 656,357</u>	<u>\$ 325,346</u>	<u>\$ 180,892</u>	<u>\$ 59,997</u>	<u>\$ 1,222,592</u>	<u>\$ 231,901</u>	<u>\$ 198,987</u>	<u>\$ 1,653,480</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, 2021*

	Education	Community Programs	Presenting Arts	General Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 178,396	\$ 83,462	\$ 74,420	\$ 63,987	\$ 400,265	\$ 139,557	\$ 155,516	\$ 691,905
Artists	122,359	20,056	10,378	9,808	162,601	136,124	17,881	180,482
Depreciation expense	87,090	30,864	22,978	20,438	161,370	12,146	-	173,516
Maintenance and utilities	59,196	20,041	14,920	13,271	107,428	11,123	-	118,551
Insurance	14,330	3,986	3,004	2,688	24,008	9,928	-	33,936
Supplies	17,495	2,848	935	2,483	23,761	1,578	1,377	26,716
Service fees	10,964	8,541	634	481	20,620	1,833	2,545	24,998
Consultants and professional fees	-	-	-	-	-	24,360	-	24,360
Computer and IT support	10,143	3,305	1,817	1,745	17,010	4,991	1,668	23,669
Interest	8,032	2,846	2,119	1,885	14,882	1,120	-	16,002
Postage and printing	-	2,845	2,201	2,665	7,711	1,140	5,144	13,995
Food and refreshments	-	-	251	12	263	51	8,758	9,072
Dues, permits and penalties	517	2,721	137	113	3,488	510	499	4,497
Media and publicity	3,369	303	172	250	4,094	3	163	4,260
Lease and rental charges	1,145	-	-	573	1,718	838	620	3,176
Travel	-	-	1,394	-	1,394	-	-	1,394
Total expenses	<u>\$ 513,036</u>	<u>\$ 181,818</u>	<u>\$ 135,360</u>	<u>\$ 120,399</u>	<u>\$ 950,613</u>	<u>\$ 205,745</u>	<u>\$ 194,171</u>	<u>\$ 1,350,529</u>

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



# THE ARTS COUNCIL OF PRINCETON

## Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (220,120)	\$ 381,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	177,870	173,516
Realized and unrealized holding (gains) losses	191,936	(281,253)
Forgiveness of debt	(30,505)	(185,226)
Changes in assets and liabilities:		
Grants receivable	(6,250)	(12,693)
Accounts and contributions receivable	(4,140)	15,566
Accounts payable and accrued expenses	(7,189)	30,780
Grants payable	24,281	2,088
Deferred revenue	29,019	70,445
Grant advance SBA – PPP loan	-	121,505
Net cash provided by operating activities	154,902	315,794
<b>Investing activities:</b>		
Purchases of investments	(318,672)	(51,131)
Sale of investments	59,924	55,950
Purchase of fixed assets	(42,889)	(28,231)
Net cash (used in) investing activities	(301,637)	(23,412)
<b>Financing activities:</b>		
Principal payments on note payable	(18,361)	(17,564)
Net cash (used in) financing activities	(18,361)	(17,564)
<b>Net increase (decrease) in cash and cash equivalents</b>	(165,096)	274,818
Cash and cash equivalents, beginning of year	603,531	328,713
<b>Cash and cash equivalents, end of year</b>	\$ 438,433	\$ 603,531
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 15,061	\$ 14,355
Non cash contributions - securities	\$ -	\$ -

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

# THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2022 and 2021*

## 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. Monies received for future programs or events are deferred until the applicable period.

### 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: 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.

### Revenue and Support Recognition:

Contributions 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.

The Organization recognizes revenue from program fees, which includes student tuition and other related revenues, during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Payment for tuition is required before the start of the class. All amounts received prior to the commencement of the class, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition rates at the time revenue is recognized.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2022 and 2021*

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue and Support Recognition (continued):

A portion of the Organization's revenue is derived from tuition and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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.

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.

#### Allocation of Expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, which are allocated on the basis of estimated time and effort, as well as occupancy, which is allocated on a square footage basis. Other costs are allocated based upon direct cost method and historical percentages.

#### 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.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2022 and 2021*

### **2. Summary of Significant Accounting Policies (continued)**

#### Income Taxes (continued):

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 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, 2022 and 2021.

#### 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.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2022 and 2021*

### 2. Summary of Significant Accounting Policies (continued)

#### Advertising and Marketing:

The Organization expenses advertising and marketing costs (media and publicity) as they are incurred. For the years ended June 30, 2022 and 2021 advertising expense was \$6,502 and \$4,260, respectively.

#### Allowance for Doubtful Accounts:

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

#### 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, 2022 and 2021*

### 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, 2022 and 2021, 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, 2022 and 2021 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 March 9, 2023, the date the financial statements were available to be issued.

#### Uncertainty:

As a result of COVID-19, the Governor of New Jersey implemented social distancing and a stay-at-home order in March 2020, which caused the Organization to temporarily suspend its programming in person and certain other operations. The Organization's office was open to limited staff only. Others continued to work remotely and offered virtual programming until the Governor stated that it was safe to reopen. At this point, the extent to which COVID-19 will have upon future operations of the Organization is uncertain.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

### 3. Grants Receivable

Grants receivable at June 30, 2022 and 2021 consisted of the following:

	2022	2021
New Jersey State Council for the Arts	\$ 18,943	\$ 12,693

### 4. Investments

Investments at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Investments, beginning of period	\$ 1,513,946	\$ 1,237,512
Contributions (withdrawals), net	240,076	(55,950)
Dividends and interest reinvested	27,975	14,290
Investment fees	(9,303)	(8,384)
Unrealized/realized gains/(losses)	(191,936)	326,478
Investments, end of period	\$ 1,580,758	\$ 1,513,946

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 located 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, 2022 and 2021.

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 \$149,001 and \$175,809 and a cost of \$160,388 and \$160,434 for the years ended June 30, 2022 and 2021, respectively. These amounts are not in pooled funds. These investments are valued using level 1 inputs.

Also included in the above amounts are Treasury Bills with a fair market value of \$299,990 and a cost of \$300,000 as of June 30, 2022. These amounts are not in a pooled fund. These investments are valued using Level 1 inputs.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

### 4. Investments (continued)

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 eighteen. 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, 2022 and 2021 consisted of the following:

	Useful Lives Years	2022	2021
Land		\$ 35,000	\$ 35,000
Building and improvements	7-40	6,923,042	6,935,333
Equipment	5-30	102,633	102,633
Furniture and fixtures	5-7	145,499	145,499
Computer equipment	5	42,324	42,324
		7,248,498	7,260,789
Accumulated depreciation		(2,719,183)	(2,596,493)
Property and equipment, net		\$ 4,529,315	\$ 4,664,296

Depreciation expense amounted \$177,870 and \$173,516 for the years ended June 30, 2022 and 2021, respectively.

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.

### 6. Grants Payable

Grants payable consists of grant advances that have not yet been spent in accordance with the grant guideline.

Grants payable consisted of the following:

	2022	2021
National Endowment for the Arts	\$ 12,909	\$ -
New Jersey Council on the Arts	13,460	2,088
	\$ 23,369	\$ 2,088



## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

### 7. Deferred Revenue

Deferred revenue at June 30, 2022 and 2021 consisted of tuition paid in advance and sponsorships for future events. The following table provides information about significant changes in deferred revenue for the years ended June 30, 2022 and 2021:

	2022	2021
Deferred revenue, beginning of year	\$ 180,562	\$ 108,029
Revenue recognized that was included in Deferred revenue at the beginning of the year	(150,002)	(77,469)
Increase in deferred revenue due to cash received during the year	176,933	147,914
Deferred revenue, end of the year	<u>\$ 207,493</u>	<u>\$ 178,474</u>

### 8. Grant Advance SBA – PPP Loan

In 2020, the Organization was granted a \$141,338 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner which includes a \$10,000 loan advance from the SBA EIDL program. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization believes that the barriers and conditions for PPP loan forgiveness have been substantially met, and therefore, has recorded contribution revenue of \$94,226 and \$47,112 for the years ended June 30, 2021 and 2020, respectively. The loan was forgiven in full in December 2020.

In February 2021, the Organization was granted a second PPP loan in the amount of \$121,505. The loan was subject to the same conditions as the first loan. The Organization believes that the barriers and condition for PPP loan forgiveness have been substantially met, and therefore, has recorded contribution revenue of \$91,000 in the year ended June 30, 2021 and \$30,505 during the year ended June 30, 2022. The loan was forgiven in full in October 2021.

### 9. Long-term Debt

Long-term debt at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Loan payable to a bank, payable in monthly installments of \$2,667 through June 2034, including interest at 4.375% for the first 10 years plus and prime plus 2.50% for the remaining five years. This loan is secured by certain real estate.	\$ 297,182	\$ 315,543

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2022 and 2021

### 9. Long-term Debt (continued)

SBA-EIDL (Economic Injury Disaster Loan) loan payable to a bank, payable in monthly installments of \$641 through May 2050, including interest at 1%.

	150,000	150,000
Total long-term debt	447,182	465,543
Less: current portion of long-term debt	22,780	21,999
Total long-term debt, net of current portion	<u>\$ 424,402</u>	<u>\$ 443,544</u>

The following is a summary of principal maturities of long-term debt:

2023	\$ 22,780
2024	23,744
2025	24,752
2026	25,760
2027	26,778
Thereafter	323,368
	<u>\$ 447,182</u>

### 10. Net Assets – With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Accumulated earnings of investments	\$ 144,105	\$ 377,283
Permanently restricted endowment funds	1,136,663	1,136,663
	<u>\$ 1,280,768</u>	<u>\$ 1,513,946</u>

### 11. Equipment Leases

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

Future minimum payments at June 30, 2022 are as follows:

2023	\$ 2,148
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### 12. 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.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2022 and 2021*

### 13. 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, 2022, 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.

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 438,435	\$ 603,531
Grants and accounts receivable	23,267	12,877
Investments	<u>1,580,758</u>	<u>1,513,946</u>
	2,042,460	2,130,354
Less: investment restricted by donors	<u>(1,280,768)</u>	<u>(1,513,946)</u>
Total financial assets available within one year	<u>\$ 761,692</u>	<u>\$ 616,408</u>

### 14. Commitment and Contingencies

The Organization was involved in legal proceedings arising in the ordinary course of business. As of June 30, 2022, the matter was resolved with no adverse or material effect on the organization.

**THE ARTS COUNCIL OF PRINCETON**  
Schedule of Expenditures of Federal and State Awards  
*Year Ended June 30, 2022*

<u>Federal or State Grantor/ Passthrough Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Grant Award</u>	<u>Funds Received (repaid)</u>	<u>Total Expenditures*</u>
<b><u>Federal Awards</u></b>					
National Endowment for the Arts: 01/01/22 – 10/31/22	45.24	1887887-62-22	\$ 40,000	\$ 12,909	\$ -
Total federal awards					<u>\$ -</u>
<b><u>State Awards</u></b>					
State of New Jersey Department of State: New Jersey Council on the Arts 07/01/2020 – 06/30/21		C-2105X010006	\$ 50,774	\$ 12,693	-
State of New Jersey Department of State: New Jersey Council on the Arts 07/01/21 – 06/30/22		C-2214X010006	\$ 75,774	\$ 56,831	\$ 75,774
State of New Jersey Department of State: New Jersey Council on the Arts 06-001/22 – 12/31/23		C-2214X390061	\$ 20,550	\$ 18,495	\$ 5,035
State of New Jersey Economic Development Authority COVID – 19 Phase 4		MOIA-00123181	\$ 15,000	\$ 15,000	\$ 15,000
State of New Jersey Department of State New Jersey Council on the Arts Critical Needs Grant		C2138X380052	\$ 14,970	-	\$ 2,088
Total state awards					<u>97,897</u>
<b><u>County Awards</u></b>					
Mercer County FY2022 SP Support 01/01/22 – 12/31/22		HC-CHPP-2022-00004	\$ 5,000	\$ 5,000	\$ 5,000
Mercer County Commission on Status of Women 07/01/21 – 06/30/22			\$ 450	\$ 450	\$ 450
Total county awards					<u>\$ 5,450</u>

\*No subrecipient expenditures

**THE ARTS COUNCIL OF PRINCETON**  
Notes Schedule of Expenditures of Federal and State Awards  
*Year Ended June 30, 2022*

1. General Information:

The accompanying Schedule of Expenditures of Federal and State Awards include the federal and state awards activity of The Arts Council of Princeton under programs of the federal and state government for the year ended June 30, 2022. All financial awards received directly from federal and state agencies as well as financial awards passed through other governmental agencies or not-for-profit organizations are included on the schedule. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of The Arts Council of Princeton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Arts Council of Princeton.

2. Basis of Accounting:

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting. The amounts recognized following the cost principles contained in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and/or OMB Circular A-122, Cost Principles for Non-Profit Organizations* where in certain types of expenditures are not allowable or are limited as to reimbursement. If present, negative amounts reflected in the schedule represent adjustments or credit resulting from the normal course of business to amounts reported as expenditures in prior years. The amounts reported in the schedule as expenditures may differ from certain financial reports submitted to federal and state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. Relationship to Basic Financial Statements:

Federal and State Award expenditures are reported on the Statement of Functional Expenses as program services. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal and State Awards due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

4. Indirect Cost Rate:

The Arts Council of Princeton has elected not to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance.

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arts Council of Princeton (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Arts Council of Princeton's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arts Council of Princeton's internal control. Accordingly, we do not express an opinion on the effectiveness of The Arts Council of Princeton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Arts Council of Princeton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***HAMILTON FINANCIAL GROUP, LLC***

Mercerville, New Jersey  
March 9, 2023

**THE ARTS COUNCIL OF PRINCETON**

*Year Ended June 30, 2022*

Additional Information Required by the  
State of New Jersey – Funding Sources

1. All Federal and State payroll tax returns were filed timely and all required tax payments were made.
2. The IRS 990 tax return for the year ended June 30, 2021 was filed and the IRS 990 for the year ended June 30, 2022 will be filed in compliance with statutory requirements.
3. The CRI-300R New Jersey tax return for the year ended June 30, 2021 was filed and the CRI-300R for the year ended June 30, 2022 will be filed in compliance with statutory requirements.
4. There were no questioned costs as a result of this audit.