

**THE ARTS COUNCIL OF PRINCETON**  
Financial Statements  
and  
Independent Auditors' Report  
*Years Ended June 30, 2023 and 2022*

**THE ARTS COUNCIL OF PRINCETON**  
*Years Ended June 30, 2023 and 2022*

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

#### **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

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

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.

### **Emphasis of Matter**

As discussed in the notes to the financial statements, The Arts Council of Princeton adopted Accounting Standards Update (ASU) No.2016-02 Leases (Topic 842) and its amendments (including amendments contained in ASU- 2018-11), effective July 1, 2022. Our opinion is not modified with respect to these matters.

*Hamilton Financial Group, LLC*

Mercerville, New Jersey  
January 19, 2024

**THE ARTS COUNCIL OF PRINCETON**

Statements of Financial Position

*June 30, 2023 and 2022*

	2023	2022
<u>Assets</u>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 499,716	\$ 438,435
Grants receivable	18,950	18,943
Accounts and contributions receivable	40,460	4,324
Total current assets	559,126	461,702
<b>Property and equipment – net</b>	4,403,511	4,529,315
<b>Investments</b>		
	1,611,216	1,580,758
Total assets	\$ 6,573,853	\$ 6,571,775
 <u>Liabilities and Net Assets</u>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 47,985	\$ 39,680
Grants payable	-	26,369
Deferred revenue	226,190	207,493
Note payable, current portion	26,821	22,780
Total current liabilities	300,996	296,322
<b>Long term liabilities:</b>		
<b>Note payable, less current portion</b>	401,169	424,402
Total liabilities	702,165	720,724
<b>Net assets:</b>		
Net assets without donor restrictions	4,570,855	4,570,283
Net assets with donor restrictions	1,300,833	1,280,768
Total net assets	5,871,688	5,851,051
Total liabilities and net assets	\$ 6,573,853	\$ 6,571,175

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, 2023 and 2022*

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues:</b>						
Program fees	\$ 925,602	\$ -	\$ 925,602	\$ 838,297	\$ -	\$ 838,297
Contributions and grants	391,333	-	391,333	395,257	-	395,257
Fundraising events	187,113	-	187,113	187,749	-	187,749
Government grants	175,259	-	175,259	103,347	-	103,347
Investment income	83,739	20,065	103,804	9,489	(173,254)	(163,765)
Memberships	49,250	-	49,250	41,970	-	41,970
Other income - ERTC	42,945	-	42,945	-	-	-
SBA-PPP forgiveness	-	-	-	30,505	-	30,505
Loss on disposal	(5,124)	-	(5,124)	-	-	-
Subtotal	1,850,117	20,065	1,870,182	1,606,614	(173,254)	1,433,360
Net assets released due to satisfaction of time or purpose restrictions	-	-	-	59,924	(59,924)	-
Total support and revenue	1,850,117	20,065	1,870,182	1,666,538	(233,178)	1,433,360
<b>Expenses:</b>						
Program services	1,392,420	-	1,392,420	1,222,592	-	1,222,592
Management and general	232,528	-	232,528	231,901	-	231,901
Fundraising	224,597	-	224,597	198,987	-	198,987
Total expenses	1,849,545	-	1,849,545	1,653,480	-	1,653,480
<b>Change in net assets</b>	572	20,065	20,637	13,058	(233,178)	(220,120)
Net assets, beginning of year	4,570,283	1,280,768	5,851,051	4,557,225	1,513,946	6,071,171
<b>Net assets, end of year</b>	\$ 4,570,855	\$ 1,300,833	\$ 5,871,688	\$ 4,570,283	\$ 1,280,768	\$ 5,851,051

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

**THE ARTS COUNCIL OF PRINCETON**  
**Statements of Functional Expenses**  
*Year Ended June 30, 2023*

	Education	Community Programs	Presenting Arts	General Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 275,862	\$ 157,351	\$ 91,417	\$ 42,874	\$ 567,504	\$ 160,758	\$ 163,302	\$ 891,564
Artists	225,203	56,205	28,380	1,529	311,317	-	16,812	328,129
Depreciation expense	97,657	44,330	26,936	8,578	177,501	8,236	-	185,737
Maintenance and utilities	81,609	36,227	22,540	7,134	147,510	12,013	217	159,740
Computer and IT support	8,789	3,125	1,535	768	14,217	6,146	1,668	22,031
Supplies	29,736	10,047	2,771	1,716	44,270	4,901	5,113	54,284
Insurance	17,788	6,060	3,846	1,218	28,912	13,668	-	42,580
Service fees	13,822	10,300	1,142	571	25,835	2,507	2,837	31,179
Food and refreshments	211	3,618	2,294	543	6,666	2,834	16,896	26,396
Postage and printing	838	11,735	6,693	288	19,554	1,341	6,424	27,319
Consultants and professional fees	-	-	-	-	-	15,350	-	15,350
Interest	12,158	5,519	3,353	1,068	22,098	1,663	-	23,761
Lease and rental charges	286	589	286	143	1,304	2,497	6,821	10,622
Media and publicity	1,818	2,131	3,441	493	7,883	35	1,473	9,391
Dues, permits and penalties	594	380	181	125	1,280	579	628	2,487
Travel	-	-	16,569	-	16,569	-	2,406	18,975
<b>Total expenses</b>	<b>\$ 766,371</b>	<b>\$ 347,617</b>	<b>\$ 211,384</b>	<b>\$ 67,048</b>	<b>\$ 1,392,420</b>	<b>\$ 232,528</b>	<b>\$ 224,597</b>	<b>\$ 1,849,545</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, 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
<b>Total expenses</b>	<b>\$ 656,357</b>	<b>\$ 325,346</b>	<b>\$ 180,892</b>	<b>\$ 59,997</b>	<b>\$ 1,222,592</b>	<b>\$ 231,901</b>	<b>\$ 198,987</b>	<b>\$ 1,653,480</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, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 20,637	\$ (220,120)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	185,737	177,870
Realized and unrealized holding (gains) losses	(68,732)	191,936
Forgiveness of debt	-	(30,505)
Loss on disposal of fixed assets	5,124	-
Changes in assets and liabilities:		
Grants receivable	(7)	(6,250)
Accounts and contributions receivable	(36,136)	(4,140)
Accounts payable and accrued expenses	8,305	(7,189)
Grants payable	(26,369)	24,281
Deferred revenue	18,697	29,019
Net cash provided by operating activities	107,256	154,902
<b>Investing activities:</b>		
Purchases of investments	(732,789)	(318,672)
Sale of investments	771,063	59,924
Purchase of fixed assets	(65,057)	(42,889)
Net cash (used in) investing activities	(26,783)	(301,637)
<b>Financing activities:</b>		
Principal payments on note payable	(19,192)	(18,361)
Net cash (used in) financing activities	(19,192)	(18,361)
<b>Net increase (decrease) in cash and cash equivalents</b>	61,281	(165,098)
Cash and cash equivalents, beginning of year	438,435	603,531
<b>Cash and cash equivalents, end of year</b>	\$ 499,716	\$ 438,435
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 23,761	\$ 15,061
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, 2023 and 2022*

## 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, 2023 and 2022

### 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.

The Organization's revenue disaggregated according to the timing of when revenue is recognized is as follows:

	<u>2023</u>	<u>2022</u>
Revenue recognized at a point in time (ASC 606)		
Program fees	<u>\$ 925,602</u>	<u>\$ 838,297</u>
Total revenue recognized at a point in time	<u>925,602</u>	<u>838,297</u>
Revenue recognized over time (ASC 606)		
Membership fees	<u>49,250</u>	<u>41,970</u>
Total revenue recognized over time	<u>49,250</u>	<u>41,970</u>

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2023 and 2022

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

Revenue and Support Recognition (continued):

Contributions and other revenue not subject to ASC 606		
Contributions	578,446	583,006
PPP-SBA advance forgiveness	-	30,505
Grants and contracts	175,259	103,347
Other revenue	42,945	-
Investment return	103,804	(163,765)
Loss on disposals	(5,124)	
	<hr/>	<hr/>
Total contributions and other revenue	895,330	553,093
	<hr/>	<hr/>
Total revenue	\$ 1,870,182	\$ 1,433,360

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.

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, 2023 and 2022.

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.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2023 and 2022*

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

#### Property and Equipment: (continued)

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 (media and publicity) as they are incurred. For the years ended June 30, 2023 and 2022 advertising expense was \$9,391 and \$6,502, 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:

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2023 and 2022*

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

Investments: (continued)

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.

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, 2023 and 2022, 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.

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2023 and 2022

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

Special Events:

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

Deferred Revenue:

Deferred revenue at June 30, 2023 and 2022 consisted of tuition paid in advance and sponsorships for events held in the next fiscal year.

Adoption of FASB ASC 842

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangements contains a lease at inception based on whether the Organization has the right to control the assets during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within in the new standard, which among other things, allowed it to carry forward the historical lease classification. The new lease standard had no impact on the financial statements.

Subsequent Events:

The Organization has evaluated subsequent events through January 19, 2024, the date the financial statements were available to be issued.

### 3. Grants Receivable

Grants receivable at June 30, 2023 and 2022 consisted of the following:

	2023	2022
New Jersey State Council for the Arts	\$ 18,950	\$ 18,943

### 4. Investments

Investments at June 30, 2023 and 2022 consisted of the following:

	June 30, 2023		June 30, 2022	
	Fair Market Value	Principal / Cost*	Fair Market Value	Principal/ Cost*
<b>Donor Restricted Investments</b>				
PACF – Pooled Fund – Galbraith Fund	\$ 821,196	\$ 699,633	\$ 810,951	\$ 699,633
PACF – Pooled Fund – Johnson Fund	278,321	250,000	274,833	250,000
PACF – Pooled Fund – Waxwood Fund	46,681	40,000	45,983	40,000
Mutual Fund – Evans Fund	154,647	150,795*	149,001	160,388*
Total donor restricted investments	1,300,845	1,140,428	1,280,768	1,150,021
<b>Unrestricted investments</b>				
T-bills & short term mutual funds	310,371	296,311*	299,990	300,000*
Total investments	\$ 1,611,216	\$ 1,436,739	\$ 1,580,758	\$ 1,450,021

## THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
*Years Ended June 30, 2023 and 2022*

### 4. Investments (continued)

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, 2023 and 2022.

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 \$154,647 and \$149,001 and a cost of \$150,795 and \$160,388 for the years ended June 30, 2023 and 2022, 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 \$310,371 and \$299,990 and a cost of \$296,311 and \$300,000 as of June 30, 2023 and 2022. These amounts are not in a pooled fund. 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 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.



**THE ARTS COUNCIL OF PRINCETON**

Notes to Financial Statements  
Years Ended June 30, 2023 and 2022

**5. Property and Equipment**

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	Useful Lives Years	2023	2022
		<u>          </u>	<u>          </u>
Land		\$ 35,000	\$ 35,000
Building and improvements	7-40	6,938,544	6,923,042
Equipment	5-30	102,633	102,633
Furniture and fixtures	5-7	146,873	145,499
Computer equipment	5	42,324	42,324
Theater upgrades	7	24,573	-
		<u>7,289,947</u>	<u>7,248,498</u>
Accumulated depreciation		<u>(2,886,436)</u>	<u>(2,719,183)</u>
Property and equipment, net		<u>\$ 4,403,511</u>	<u>\$ 4,529,315</u>

Depreciation expense amounted \$185,737 and \$177,870 for the years ended June 30, 2023 and 2022, 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:

	2023	2022
	<u>          </u>	<u>          </u>
National Endowment for the Arts	\$ -	\$ 12,909
New Jersey Council on the Arts	-	13,460
	<u>\$ -</u>	<u>\$ 23,369</u>

**7. Deferred Revenue**

Deferred revenue at June 30, 2023 and 2022 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, 2023 and 2022:

	2023	2022
	<u>          </u>	<u>          </u>
Deferred revenue, beginning of year	\$ 207,493	\$ 180,562
Revenue recognized that was included in Deferred revenue at the beginning of the year	(202,493)	(150,002)

**THE ARTS COUNCIL OF PRINCETON**

Notes to Financial Statements  
Years Ended June 30, 2023 and 2022

**7. Deferred Revenue (continued)**

Increase in deferred revenue due to cash received during the year	<u>221,190</u>	<u>176,933</u>
Deferred revenue, end of the year	<u>\$ 226,190</u>	<u>\$ 207,493</u>

**8. Long-term Debt**

Long-term debt at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
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.	\$ 277,990	\$ 297,182
SBA-EIDL (Economic Injury Disaster Loan) loan payable to a bank, payable in monthly installments of \$641 through June 2050, including interest at 2.75%.	<u>150,000</u>	<u>150,000</u>
Total long-term debt	427,990	447,182
Less: current portion of long-term debt	<u>26,821</u>	<u>22,780</u>
Total long-term debt, net of current portion	<u>\$ 401,169</u>	<u>\$ 424,402</u>

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

2024	\$ 26,821
2025	27,926
2026	29,033
2027	30,155
2028	31,285
Thereafter	<u>282,770</u>
	<u>\$ 427,990</u>

**9. Net Assets – With Donor Restrictions**

Net assets with donor restrictions at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Accumulated earnings of investments	\$ 164,170	\$ 144,105
Permanently restricted endowment funds	<u>1,136,663</u>	<u>1,136,663</u>
	<u>\$ 1,300,833</u>	<u>\$ 1,280,768</u>

# THE ARTS COUNCIL OF PRINCETON

Notes to Financial Statements  
Years Ended June 30, 2023 and 2022

## 10. Equipment Leases

The Organization leases office equipment. The lease expired during June 2023. Monthly payments were \$179. The Organization entered into a new lease during April 1, 2023. The lease ends March, 2028. Monthly payments total \$330.

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases that include an initial term of 12 months or less, that do not include an option to purchase the underlying assets that are reasonably certain to exercise, are not recorded on the statement of financial position

Future minimum payments at June 30, 2023 are as follows:

2024	\$	3,960
2025		3,960
2026		3,960
2027		3,960
2028		2,970

## 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.

## 12. 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, 2023, 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, 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	\$ 499,716	\$ 438,435
Grants and accounts receivable	59,410	23,267
Investments	1,611,216	1,580,758
	2,170,342	2,042,460
Less: investments restricted by donors	(1,300,833)	(1,280,768)
Total financial assets available within one year	\$ 869,509	\$ 761,692

## 13. Commitment and Contingencies

The Organization was involved in legal proceedings arising in the ordinary course of business. As of June 30, 2023, 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, 2023

Federal or State Grantor/ Passthrough Grantor/ Program Title	CFDA Number	Grantor's Number	Grant Award	Funds Received (repaid)	Total Expenditures*
<b><u>Federal Awards</u></b>					
National Endowment for the Arts: 01/01/22 – 10/31/22	45.24	1887887-62-22	\$ 40,000	\$ 27,091	\$ 40,000
Total federal awards					<u>40,000</u>
<b><u>State Awards</u></b>					
State of New Jersey Department of State: New Jersey Council on the Arts 7/01/2022 – 06/30/23		C-2314X010029	75,800	56,850	75,800
State of New Jersey Department of State: New Jersey Council on the Arts 07/01/21 – 06/30/22		C-2214X010006	75,774	18,943	-
State of New Jersey Department of State: New Jersey Council on the Arts 06-01/22 – 12/31/23		C-2214X390061	20,550	2,055	15,515
New Jersey Economic Development Authority Small Business Improvement Grant 03/09/2020 – 03/09/2022			42,944	42,944	42,944
Total state awards					<u>134,259</u>
<b><u>County Awards</u></b>					
Mercer County Commission on Status of Women 7/1/22 – 6/30/23			1,000	1,000	1,000
Total county awards					<u>1,000</u>
Total awards					<u>\$ 175,259</u>

\*No subrecipient expenditures

**THE ARTS COUNCIL OF PRINCETON**  
Notes Schedule of Expenditures of Federal and State Awards  
*Year Ended June 30, 2023*

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, 2023. 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, 2023, 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 January 19, 2024.

**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  
January 19, 2024

**THE ARTS COUNCIL OF PRINCETON**

*Year Ended June 30, 2023*

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, 2022 was filed and the IRS 990 for the year ended June 30, 2023 will be filed in compliance with statutory requirements.
3. The CRI-300R New Jersey tax return for the year ended June 30, 2022 was filed and the CRI-300R for the year ended June 30, 2023 will be filed in compliance with statutory requirements.
4. There were no questioned costs as a result of this audit.