

Independent Accountant's Review Report
And Financial Statements

Elk County Council on the Arts
Ridgway, Pennsylvania

Year Ended August 31, 2015



McGrath
CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

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Independent Accountant's Review Report

To the Board of Directors
Elk County Council on the Arts

Report on the Financial Statements

I have reviewed the accompanying statement of financial position of the Elk County Council on the Arts (a nonprofit organization) as of August 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Reviewer's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Reviewer's Responsibility

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Padraic McGrath CPA LLC
Ridgway, Elk County, Pennsylvania
May 17, 2016

Elk County Council on the Arts

Statement of Activities

For the Year Ended August 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions -governmental	\$ 48,807	\$ 32,259	\$ -	\$ 81,066
Contributions- public	8,234	-	-	8,234
Total Contributions	57,041	32,259	-	89,300
Special events:				
Annual gala revenue	8,614	-	-	8,614
Less: Cost of direct benefits	(4,393)	-	-	(4,393)
Total Special events	4,221	-	-	4,221
Program income:				
Art gallery commisions	15,863	-	-	15,863
Tuitions and summer camp	7,581	-	-	7,581
Memberships	6,474	-	-	6,474
PA Wilds Artisan Trail	27,746	-	-	27,746
Arts in Education	6,189	-	-	6,189
Other income	5,374	-	-	5,374
Total Program income	69,227	-	-	69,227
Interest and investment return	261	-	-	261
Net assets released from restrictions	26,656	(26,656)	-	-
Total Support and Revenue	157,406	5,603	-	163,009
Expenses:				
Program Services	124,006			124,006
Management and general	18,765			18,765
Fundraising	8,840			8,840
Total Expenses	151,611	-	-	151,611
Change in Net Assets	5,795	5,603	-	11,398
Net Assets - Beginning of year	24,508	26,656	5,000	56,164
Net Assets - End of year	<u>30,303</u>	<u>32,259</u>	<u>5,000</u>	<u>67,562</u>

See accompanying notes and Independent Accountant's Review Report.

Elk County Council on the Arts

Statement of Cash Flows

For the Year Ended August 31, 2015

Cash Flows from Operating Activities	
Change in net assets	\$ 11,398
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,912
Unrealized and realized gain on investments	(233)
Decrease in Bank certificate of deposit	25,620
Decrease in Accounts receivable	6,149
Decrease in Accounts payable	(2,615)
Decrease in Payroll and sales tax payable	(1,363)
Net Cash provided by operating activities	<u>40,868</u>
Cash Flows from Financing Activities	
Principal payment on long term debt	(3,606)
Advances from line of credit	5,444
Payments on line of credit	(18,700)
Net Cash used by financing activities	<u>(16,862)</u>
Increase in cash	24,006
Cash and cash equivalents, beginning of year	1,217
Cash and cash equivalents, end of year	<u>\$ 25,223</u>
Supplemental disclosures of cash flow information	
Interest paid	<u>\$ 1,851</u>

See accompanying notes and Independent Accountant's Review Report.

Elk County Council on the Arts

Notes to Financial Statements

For the Year Ended August 31, 2015

Property and Equipment

Expenditures for land, building and improvements, and equipment are recorded at cost. Donated assets are recorded at their fair market values at the date of donation. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation of property and equipment other than land is computed using the straight-line method. At August 31, 2015, depreciation expense was \$1,912.

Concentration of Revenue

Contributions from the Pennsylvania partners in the Arts represents approximately 64% of the Organization's total Revenue for the year ended August 31, 2015.

Compensated Absences

Expenditures for compensated absences are recognized in the period when paid.

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who serve as directors and assist in fundraising and other projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition have not been satisfied.

Restricted and Unrestricted Revenue

Revenues received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Revenues that are donor-restricted are reports as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenues are recognized. All other donor-restricted revenues are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reports in the Statement of Activities as net assets released for restrictions.

Income taxes

The Organization is a not-for-profit organization that is exempt from taxes under Section 501(C)(3) of the Internal Revenue Code and classified by the Internal Revenue service as other than a private foundation. Accordingly, no provision for income taxes is made in the financial statements. The Organization's income tax returns for the current and preceding two years are subject to examination by the Internal Revenue Service. There are currently no pending income tax examinations by taxing authorities.

Elk County Council on the Arts

Notes to Financial Statements

For the Year Ended August 31, 2015

Note 6. Leases

In a previous year, the Organization signed an operating lease for the rental of a photocopier. Rental expense related to this lease for the year ended August 31, 2015 was \$2,588.

Year Ending <u>August 31,</u>	
2016	\$ 2,925
2017	<u>975</u>
	<u>\$ 3,900</u>

Note 7. Debt

Short-Term Debt

The Organization has a \$10,000 revolving line of credit with a local bank. The interest rate of 5.25%. The outstanding balance at August 31, 2015 was \$9,633. The revolving line of credit renews annually. Subsequent to year end, the entire balance on the revolving line of credit was paid in full. There are no assets held as collateral for the revolving line of credit.

Long-Term Debt

On March 6, 2006, the Organization purchased the building at 237 Main Street in Ridgway, Pennsylvania. A mortgage loan of \$53,000 was provided by a local bank. The original loan agreement provided for one hundred eighty monthly payments of \$502, including interest at 7.75%. The loan agreement was modified in March, 2013, reducing the interest rate to 5.00% through March 5, 2018, after which the interest will be adjusted to the monthly average yield of U.S. Treasury Securities plus 3.00%. Monthly payments were also decreased to \$406 through the maturity date of March 5, 2021.

The scheduled principal maturities of the mortgage loan are presented in the following schedule:

Year Ending <u>August 31</u>	
2016	\$ 3,810
2017	4,005
2018	4,210
2019	4,425
2020	4,651
2021	<u>1,870</u>
	<u>\$22,971</u>

Note 8. Subsequent Events

In October 2015, the Organization borrowed \$20,000 with a note from the same local bank to maintain working capital during the Pennsylvania government budget negotiation process. The interest rate on the borrowed funds was 3.25%. The borrowing were collateralized by inventory and equipment. The note was paid in March 2016 after the budget was finalized and funds were received from the Commonwealth of Pennsylvania. Additional subsequent events were evaluated through May 17, 2016, which is the date the financial statements were available to be issued. No additional items were identified that required disclosure.