

Independent Accountant's Review Report
And Financial Statements

Elk County Council on the Arts
Ridgway, Pennsylvania

Year Ended August 31, 2019

Elk County Council on the Arts

Financial Statements

Year Ended August 31, 2019

Contents

Independent Accountant's Review Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9



153 Main Street
Ridgway, PA
15853
814/776-2000

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, 2019, 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
October 11, 2019

Elk County Council on the Arts

Statement of Financial Position

August 31, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 129,404
Investments - endowment fund	9,314
Total current assets	<u>138,718</u>

Property and equipment:

Land	3,409
Building and improvements	76,489
Furniture and equipment	15,681
	<u>95,579</u>
Less Accumulated depreciation	<u>(36,125)</u>
Total Property and equipment	59,454

Other asset

Restricted investments- endowment fund	5,000
Total Assets	<u>\$ 203,172</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 1,612
Other current liabilities	1,635
Current portion of long-term debt	4,873
Deferred program revenue	67,535
Line of credit	—
Total Current liabilities	<u>75,655</u>

Noncurrent liability:

Long-term debt, net of current portion	1,542
Total liabilities	<u>77,197</u>

Net Assets

Without donor restriction	120,975
With donor restriction	5,000
Total Net Assets	<u>125,975</u>

Total Liabilities and Net Assets	<u>\$ 203,172</u>
---	--------------------------

See accompanying notes and Independent Accountant's Review Report.

Elk County Council on the Arts

Statement of Activities

For the Year Ended August 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Contributions -governmental	\$ 8,972	\$ -	\$ 8,972
Contributions- public	6,919	-	6,919
Total Contributions	<u>15,891</u>	-	<u>15,891</u>
Special events:			
Fundraising revenue	9,303	-	9,303
Less: Cost of direct benefits	(3,055)	-	(3,055)
Total Special events	<u>6,248</u>	-	<u>6,248</u>
Program income:			
Pennsylvania Council on the Arts	172,386	-	172,386
Art gallery commissions	28,930	-	28,930
Tuitions and summer camp	9,013	-	9,013
Memberships	14,028	-	14,028
PA Wilds Center for Entrepreneurship	10,375	-	10,375
Other income	10,308	-	10,308
Total Program income	<u>245,040</u>	-	<u>245,040</u>
Interest and investment return	923	-	923
Net assets released from restrictions	-	-	-
Total Support and Revenue	<u>268,102</u>	-	<u>268,102</u>
Expenses:			
Program services	200,255		200,255
Management and general	19,446		19,446
Fundraising	6,061		6,061
Total Expenses	<u>225,762</u>	-	<u>225,762</u>
Change in Net Assets	42,340	-	42,340
Net Assets - Beginning of year	78,635	5,000	83,635
Net Assets - End of year	\$ 120,975	\$ 5,000	\$ 125,975

See accompanying notes and Independent Accountant's Review Report.

Elk County Council on the Arts
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program Activities	Supporting Activities Management	Supporting Activities Fundraising	Total Program and Supporting Activities
Expenses:				
Compensation	\$ 53,221	\$ 11,750	\$ 4,147	\$ 69,118
Payroll taxes	5,154	1,138	402	6,694
Professional services	-	1,731	-	1,731
Advertising	1,839	406	143	2,388
Contracted services	2,554	564	199	3,317
Administrative expenses	1,256	277	98	1,631
Office equipment	2,234	493	174	2,901
Internet and website	176	39	14	229
Occupancy	4,405	972	343	5,720
Interest expense	-	599	-	599
Depreciation	1,530	268	114	1,912
Insurance	2,423	535	189	3,147
Supplies	2,256	498	176	2,930
Dues	724	160	56	940
Program production	98,836	-	-	98,836
Artist commissions	23,575	-	-	23,575
Bank charges	72	16	6	94
Total Expenses	\$ 200,255	\$ 19,446	\$ 6,061	\$ 225,762

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, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 42,340
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,912
Unrealized and realized gain on investments	(835)
Increase in Accounts payable	598
Increase in Deferred program revenue	207
Increase in Other current liabilities	85
Net Cash provided by operating activities	<u>44,307</u>
Cash Flows from Financing Activities	
Principal payment on long term debt	(3,823)
Net Cash used by financing activities	(3,823)
Increase in cash	40,484
Cash and cash equivalents, beginning of year	88,920
Cash and cash equivalents, end of year	<u><u>\$ 129,404</u></u>
Supplemental disclosures of cash flow information	
Interest paid	<u><u>\$ 599</u></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, 2019

Note 1. Organization and Nature of Business

The Elk County Council on the Arts (Organization) is a non-profit corporation incorporated in the Commonwealth of Pennsylvania. The Organization is dedicated to promoting the cultural enrichment of the residents of Elk County and the surrounding area by expanding the opportunity for public participation in the arts. The Organization's goal is to enhance the lives of those residents and the various local artists by offering experiences in the arts, providing educational opportunity and advice, and by supporting performers, musicians, artists and writers.

Note 2. Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

In accordance with FASB ASC 958, *Not-for-Profit Entities*, The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the Statement of Activities. Investment income and gains or losses including realized gains and losses on investments, interest and dividends are reported as changes in net assets in the Statement of Activities.

Accounts Receivable and Bad Debts

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for losses is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At August 31, 2019, there were no direct bad debts charged to operations.

Elk County Council on the Arts
Notes to Financial Statements
For the Year Ended August 31, 2019

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, 2019, depreciation expense was \$1,912.

Concentration of Revenue

Program Revenue from the Commonwealth of Pennsylvania's Pennsylvania Partners in the Arts programs represent approximately 64% of the Organization's total Revenue for the year ended August 31, 2019. If this funding was discontinued or delayed, this could affect the cash flow and operations of the Organization adversely.

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.

Revenue Recognition

The Organization recognizes revenue from contributions when received unless there is a specific purpose or time restriction. Membership revenue and art gallery commission are recognized at the point of sale. Grant revenue received that includes a service or performance obligation is recognized when the performance obligation has been achieved. Prior to revenue recognition, grant revenue received in advance is considered deferred program revenue.

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.

Expense Allocation Methodology

The Organization allocates expenses between program and supporting activities via analysis of personnel job functions and total cost of payroll. An expense account is either directly associated as a program expense or as a supporting administrative or fundraising expense. If the expense is not directly associated with a function, it is subject to allocation based upon a percentage of total payroll cost.

Elk County Council on the Arts

Notes to Financial Statements

For the Year Ended August 31, 2019

Note 3. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporations, which fully insures all noninterest bearing accounts and up to \$250,000 of interest bearing accounts per institution. At August 31, 2019, the Organization had no uninsured cash deposits.

Note 4. Endowment Funds

In prior years, the Organization received \$5,000 to fund an endowment account for the purpose of generating income to support the Organization's mission and operations, with the principal balance of \$5,000 to be maintained permanently. The current policy is to not distribute any amounts from the endowment account. Composition and changes in endowment net assets for the year end August 31, 2019 were as follows:

	Without Restriction	With Restriction	Total
Balance beginning of year	\$8,533	\$5,000	\$ 13,533
Investment income	781	-	781
Additions to Funds	-	-	-
Balance end of year	<u>\$9,314</u>	<u>\$5,000</u>	<u>\$ 14,314</u>

Note 5. Investment Returns

Investment returns consist of earnings from the endowment fund described in Note 4, as well as interest earned on cash deposits and certificates of deposit. Return on investments is summarized as follows for the year ended August 31, 2019:

Interest and dividend income	\$ 387
Interest Expense	(94)
Net realized and unrealized gains	<u>537</u>
Total investment return	<u>\$924</u>

Note 6. Deferred Program Revenue

The Organization was awarded two grants from the Pennsylvania Council on the Arts. The grants fund local and community arts activities, artist residency programs and program administration costs. At times, the grants are funded in advance by the Commonwealth of Pennsylvania. When the grant funds are received, the Organization records the received amount as Deferred Program Revenue until revenue is able to be recognized. Revenue related to the arts activities and the residency programs is earned when an activity or program occurs. Revenue related to the administration is earned on a monthly basis. As of August 31, 2019, the total Deferred Program Revenue value was \$67,535. If the Organization is not able to complete all of the artist residency programs, the unearned portion of the grant will have to be returned to the Commonwealth of Pennsylvania. That amount is approximately \$45,000 as of August 31, 2019.

Elk County Council on the Arts
Notes to Financial Statements
For the Year Ended August 31, 2019

Note 7. Debt

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>	
2020	\$ 4,873
2021	<u>1,542</u>
	<u>\$ 6,415</u>

Subsequent to year end, the Organization paid the remaining balance due on the mortgage.

Line of Credit

The Organization has a \$30,000 line of credit with a regional bank. The interest rate is 6.25%. The line of credit is secured by the building at 237 Main Street in Ridgway, PA. As of August 31, 2019, the line of credit was unutilized and the full amount was available to be drawn upon. The revolving line of credit renews bi-annually.

Note 8. Liquidity

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet, comprise of the following:

Cash and cash equivalents	\$129,404
Investments – endowment fund without restriction	<u>9,314</u>
Total Financial Assets available for general expenditure	<u>\$138,718</u>

As previously noted, a portion of the Financial Assets available for general expenditure will be utilized in the next fiscal year to pay general expenditures related to program activities and program administration costs.

Note 9. Subsequent Events

Subsequent events were evaluated through October 11, 2019 which is the date the financial statements were available to be issued.

