

Independent Accountant's Review Report
And Financial Statements

Elk County Council on the Arts
Ridgway, Pennsylvania

Year Ended August 31, 2020

Elk County Council on the Arts

Financial Statements

Year Ended August 31, 2020

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, 2020, and the related Statements of Activities, Statement of Functional Expenses and Statement of 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 28, 2020

Elk County Council on the Arts

Statement of Financial Position

August 31, 2020

Assets	
Current assets:	
Cash and cash equivalents	\$ 93,822
Accounts receivable	4,395
Investments - endowment fund	<u>10,532</u>
Total current assets	108,749
Property and equipment:	
Land	3,409
Building and improvements	76,489
Furniture and equipment	<u>15,681</u>
	<u>95,579</u>
Less Accumulated depreciation	<u>(38,038)</u>
Total property and equipment	57,541
Other asset	
Restricted investments- endowment fund	<u>5,000</u>
Total Assets	<u><u>\$ 171,290</u></u>
Liabilities and Net Assets	
Current liabilities:	
Other current liabilities	1,635
Deferred program revenue	<u>34,751</u>
Total liabilities	36,386
Net Assets	
Without donor restriction	129,904
With donor restriction	<u>5,000</u>
Total net assets	<u>134,904</u>
Total Liabilities and Net Assets	<u><u>\$ 171,290</u></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, 2020

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Contributions -governmental	\$ 14,690	\$ -	\$ 14,690
Contributions- public	6,212	-	6,212
Total Contributions	<u>20,902</u>	<u>-</u>	<u>20,902</u>
Special events:			
Fundraising revenue	476	-	476
Less: Cost of direct benefits	(220)	-	(220)
Total Special events	<u>256</u>	<u>-</u>	<u>256</u>
Program income:			
Pennsylvania Council on the Arts	158,945	-	158,945
Art gallery commissions	22,786	-	22,786
Tuitions and summer camp	2,619	-	2,619
Memberships	12,077	-	12,077
PA Wilds Center for Entrepreneurship	11,170	-	11,170
Total Program income	<u>207,597</u>	<u>-</u>	<u>207,597</u>
Interest and investment return	1,363	-	1,363
Net assets released from restrictions	-	-	-
Total Support and Revenue	<u>230,118</u>	<u>-</u>	<u>230,118</u>
Expenses:			
Program services	188,681	-	188,681
Management and general	25,235	-	25,235
Fundraising	7,273	-	7,273
Total Expenses	<u>221,189</u>	<u>-</u>	<u>221,189</u>
Change in Net Assets	8,929	-	8,929
Net Assets - Beginning of year	120,975	5,000	125,975
Net Assets - End of year	\$ 129,904	\$ 5,000	\$ 134,904

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, 2020

	Program Activities	Supporting Activities Management	Supporting Activities Fundraising	Total Program and Supporting Activities
Expenses:				
Compensation	\$ 45,853	\$ 14,208	\$ 4,521	\$ 64,582
Payroll taxes	3,529	1,094	348	4,971
Professional services	–	2,373	–	2,373
Advertising	1,865	578	184	2,627
Contracted services	6,626	2,053	653	9,332
Administrative expenses	1,405	435	138	1,978
Office equipment	1,700	527	168	2,395
Occupancy	3,778	1,171	372	5,321
Interest expense	532	–	–	532
Depreciation	1,358	421	134	1,913
Insurance	2,139	663	211	3,013
Supplies	4,421	1,370	436	6,227
Dues	968	300	95	1,363
Program production	93,807	–	–	93,807
Artist commissions	20,562	–	–	20,562
Bank charges	138	42	13	193
Total Expenses	\$ 188,681	\$ 25,235	\$ 7,273	\$ 221,189

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, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 8,929
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,912
Unrealized and realized gain on investments	(1,217)
Increase in Accounts receivable	(4,395)
Decrease in Accounts payable	(1,612)
Decrease in Deferred program revenue	(32,784)
Net Cash provided by operating activities	<u>(29,167)</u>
Cash Flows from Financing Activities	
Principal payments on long term debt	<u>(6,415)</u>
Net Cash used by financing activities	<u>(6,415)</u>
Increase in cash	(35,582)
Cash and cash equivalents, beginning of year	<u>129,404</u>
Cash and cash equivalents, end of year	<u><u>\$ 93,822</u></u>
Supplemental disclosures of cash flow information	
Interest paid	<u><u>\$ 532</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, 2020

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 two classes of net assets: Without donor restriction and With donor restriction.

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, 2020, 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, 2020

Property and Equipment

Expenditures for Land, Building and improvements, and Furniture 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, 2020, depreciation expense was \$1,912.

Concentration of Revenue

Program Revenue from the Commonwealth of Pennsylvania's Pennsylvania Partners in the Arts programs represent approximately 69% of the Organization's total Revenue for the year ended August 31, 2020. 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 services activity or as Management and general activity or a Fundraising Activity. 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, 2020

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, 2020, 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, 2020 were as follows:

	Without Restriction	With Restriction	Total
Balance beginning of year	\$ 9,315	\$5,000	\$14,315
Investment income	1,217	-	1,217
Additions to funds	-	-	-
Balance end of year	<u>\$10,532</u>	<u>\$5,000</u>	<u>\$15,532</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, 2020:

Interest and dividend income	\$ 364
Investment management fees	(111)
Net realized and unrealized gains	<u>999</u>
Total investment return	\$1,252

Note 6. Deferred Program Revenue

The Organization was awarded 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, 2020, the total Deferred Program Revenue value was \$34,751. 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.

Elk County Council on the Arts
Notes to Financial Statements
For the Year Ended August 31, 2020

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%. In September 2019, the balance was satisfied and there are no more payments due.

Line of Credit

The Organization has a \$30,000 line of credit with a regional bank. The terms of the agreement require monthly payments of interest at the rate of prime plus 1.25 percent (4.5%). The line of credit is secured by the building at 237 Main Street in Ridgway, PA. As of August 31, 2020, 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 Statement of Financial Position, comprise of the following:

Cash and cash equivalents	\$59,251
Investments – endowment fund without restriction	<u>10,532</u>
Total Financial Assets available for general expenditure	<u>\$69,783</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 28, 2020 which is the date the financial statements were available to be issued.