

Independent Accountant's Review Report
and Financial Statements

Elk County Council on the Arts
Ridgway, Pennsylvania

Year Ended August 31, 2021

Elk County Council on the Arts

Financial Statements

Year Ended August 31, 2021

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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 financial statements of the Elk County Council on the Arts (a nonprofit organization) which comprise the Statement of Financial Position as of August 31, 2021, the related Statement 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.

Accountant'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 19, 2022

Elk County Council on the Arts

Statement of Financial Position

August 31, 2021

Assets	
Current assets:	
Cash and cash equivalents	\$ 222,088
Investments - endowment fund	12,760
Total Current assets	<u>234,848</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>(39,950)</u>
Total Property and equipment	55,629
Other asset	
Restricted investments- endowment fund	5,000
Total Assets	<u><u>295,477</u></u>
Liabilities and Net Assets	
Current liabilities:	
Other current liabilities	2,239
Line of credit	—
Deferred program revenue	27,583
Total Liabilities	<u>29,822</u>
Net Assets	
Without Donor Restriction	260,655
With Donor Restriction	5,000
Total Net Assets	<u>265,655</u>
Total Liabilities and Net Assets	<u><u>\$ 295,477</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, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Contributions			
Contributions - governmental	\$ 31,023	\$ -	\$ 31,023
Contributions- public	7,223	-	7,223
Total Contributions	38,246	-	38,246
Special events:			
Fundraising revenue	-	-	-
Less: Cost of direct benefits	-	-	-
Total Special events	-	-	-
Program income:			
Pennsylvania Council on the Arts	202,026	-	202,026
Art gallery commissions	32,600	-	32,600
Tuitions and summer camp	3,131	-	3,131
Membership revenue	7,422	-	7,422
PA Wilds Center for Entrepreneurship	8,798	-	8,798
Total Program income	253,977	-	253,977
Interest and investment return	2,371	-	2,371
Net assets released from restrictions	-	-	-
Total Support and Revenue	294,594	-	294,594
Expenses:			
Program services	136,414	-	136,414
Management and general	21,394	-	21,394
Fundraising	6,035	-	6,035
Total Expenses	163,843	-	163,843
Change in Net Assets	130,751	-	130,751
Net Assets - Beginning of year	129,904	5,000	134,904
Net Assets - End of year	\$ 260,655	\$ 5,000	\$ 265,655

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, 2021

	Program Activities	Supporting Activities Management	Fundraising	Total Program and Supporting Activities
Expenses:				
Compensation	\$ 43,367	\$ 13,438	\$ 4,276	\$ 61,081
Payroll taxes	591	183	58	832
Professional services	-	2,422	-	2,422
Advertising	1,920	595	189	2,704
Contracted services	409	127	40	576
Administrative expenses	631	196	62	889
Office equipment	1,760	545	173	2,478
Internet and website	1,243	385	123	1,751
Occupancy	5,029	1,558	496	7,083
Depreciation	1,358	421	134	1,913
Insurance	2,070	641	204	2,915
Supplies	2,064	639	203	2,906
Dues	431	134	42	607
Program production	50,245	-	-	50,245
Artists commissions	24,942	-	-	24,942
Bank charges	354	110	35	499
Total Expenses	\$ 136,414	\$ 21,394	\$ 6,035	\$ 163,843

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, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 130,751
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,912
Unrealized gain on investments	(2,228)
PPP loan forgiveness	(15,766)
Decrease in Accounts receivable	4,395
Increase in Other current liabilities	604
Decrease in Deferred program revenue	(7,168)
Net Cash Provided by Operating Activities	<u>112,500</u>
Cash Flows from Financing Activities	
PPP loan proceeds	<u>15,766</u>
Net Cash Provided by Financing Activities	15,766
Increase in cash	128,266
Cash and cash equivalents, beginning of year	<u>93,822</u>
Cash and cash equivalents, end of year	<u><u>\$ 222,088</u></u>
Supplemental disclosures of cash flow information	
Interest paid	<u><u>\$ -</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, 2021

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, 2021, 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, 2021

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, 2021, depreciation expense was \$1,912.

Concentration of Revenue

Program income from the Commonwealth of Pennsylvania's Pennsylvania Partners in the Arts programs represent approximately 68% of the Organization's total Support and Revenue for the year ended August 31, 2021. If this funding was discontinued or delayed, this could affect the cash flow and Total Support and Revenue 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 commissions 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 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, 2021

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, 2021, 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, 2021 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance beginning of year	\$10,532	\$5,000	\$15,532
Investment income	2,228	-	2,228
Additions to funds	-	-	-
Balance end of year	<u>\$12,760</u>	<u>\$5,000</u>	<u>\$17,760</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, 2021:

Interest and dividend income	\$ 564
Investment management fees	(125)
Net realized and unrealized gains	<u>1,789</u>
Total investment return	<u>\$ 2,228</u>

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, 2021, the total Deferred Program Revenue value was \$27,583. 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, 2021

Note 7. 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, 2021, 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. Paycheck Protection Program

In February of 2021, the Organization received loan proceeds in the amount of approximately \$15,766 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Organization utilized the proceeds for purposes consistent with the PPP, and was granted forgiveness of the entire PPP loan in June of 2021. The total of the loan forgiveness in the amount of \$15,766 is classified as Contributions -governmental.

Note 9. 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	\$222,088
Investments – endowment fund without restriction	<u>12,760</u>
Total Financial Assets available for general expenditure	<u>\$234,848</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 10. Subsequent Events

Subsequent events were evaluated through May 19, 2022 which is the date the financial statements were available to be issued.