

THE ARTS COUNCIL, INC.
FINANCIAL STATEMENTS
September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Arts Council, Inc.
Stuart, Florida

We have audited the accompanying financial statements of The Arts Council, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arts Council, Inc. as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DiBartolomeo, McBee, Hartley and Barnes, P.A.
Port St Lucie, Florida
February 3, 2022

DRAFT

THE ARTS COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2021

| <u>ASSETS</u> | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 32,648 | \$ 4,103 | \$ 36,751 |
| Prepaid insurance | 3,371 | - | 3,371 |
| TOTAL CURRENT ASSETS | <u>36,019</u> | <u>4,103</u> | <u>40,122</u> |
| PROPERTY AND EQUIPMENT | | | |
| Furniture, fixtures and equipment | 116,800 | - | 116,800 |
| Less accumulated depreciation | 102,095 | - | 102,095 |
| NET PROPERTY AND EQUIPMENT | <u>14,705</u> | <u>-</u> | <u>14,705</u> |
| OTHER ASSETS | | | |
| Fine art collections | 34,600 | - | 34,600 |
| Beneficial interest in assets held by Community Foundation - Note I | - | 80,607 | 80,607 |
| TOTAL OTHER ASSETS | <u>34,600</u> | <u>80,607</u> | <u>115,207</u> |
| TOTAL ASSETS | <u>\$ 85,324</u> | <u>\$ 84,710</u> | <u>\$ 170,034</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 6,369 | \$ - | \$ 6,369 |
| Accrued expenses and other liabilities | 31,552 | - | 31,552 |
| Due to the Arts Foundation for Martin County, Inc. | 16,614 | - | 16,614 |
| TOTAL CURRENT LIABILITIES | <u>54,535</u> | <u>-</u> | <u>54,535</u> |
| NET ASSETS | | | |
| Without donor restrictions | 30,789 | - | 30,789 |
| With donor restrictions | - | 84,710 | 84,710 |
| TOTAL NET ASSETS | <u>30,789</u> | <u>84,710</u> | <u>115,499</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 85,324</u> | <u>\$ 84,710</u> | <u>\$ 170,034</u> |

The accompanying notes are an integral part of these financial statements

THE ARTS COUNCIL, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2021

| | Without Donor Restriction | With Donor Restriction | | Total |
|--|---------------------------------|------------------------|------------------|-------------------|
| | | Temporary | Permanent | |
| SUPPORT AND OTHER REVENUE | | | | |
| Contributions | | | | |
| Government | \$ 139,773 | \$ 4,363 | \$ - | \$ 144,136 |
| Private and community funds | 79,432 | - | - | 79,432 |
| Membership | 21,944 | - | - | 21,944 |
| Sponsorship | 16,150 | - | - | 16,150 |
| Program events | 14,076 | - | - | 14,076 |
| Investment income | 3 | 16,106 | - | 16,109 |
| Contributed services | 25,199 | - | - | 25,199 |
| Other income | 4,116 | - | - | 4,116 |
| | <u>300,693</u> | <u>20,469</u> | <u>-</u> | <u>321,162</u> |
| Net assets released from restrictions | 4,363 | (4,363) | - | - |
| TOTAL SUPPORT AND OTHER REVENUE | <u>305,056</u> | <u>16,106</u> | <u>-</u> | <u>321,162</u> |
| EXPENSES | | | | |
| Program services | 157,492 | - | - | 157,492 |
| Support services | | | | |
| General and administrative | 149,796 | - | - | 149,796 |
| Fundraising | 27,382 | - | - | 27,382 |
| TOTAL EXPENSES | <u>334,670</u> | <u>-</u> | <u>-</u> | <u>334,670</u> |
| CHANGE IN NET ASSETS | (29,614) | 16,106 | - | (13,508) |
| NET ASSETS | | | | |
| Beginning of Year | 60,403 | 18,604 | 50,000 | 129,007 |
| End of Year | <u>\$ 30,789</u> | <u>\$ 34,710</u> | <u>\$ 50,000</u> | <u>\$ 115,499</u> |

The accompanying notes are an integral part of these financial statements

THE ARTS COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2021

| | Program Services | General and Administrative | Fundraising | Total |
|----------------------------------|---------------------|-------------------------------|------------------|-------------------|
| Artist fees, supplies and awards | \$ 17,329 | \$ - | \$ - | \$ 17,329 |
| Professional fees | 6,288 | 3,800 | - | 10,088 |
| Management fee | 106,021 | 53,266 | 37,216 | 196,503 |
| Marketing | 31,912 | - | - | 31,912 |
| Travel, conferences and training | 541 | - | 25 | 566 |
| Insurance | 3,186 | 1,434 | 1,206 | 5,826 |
| Bank service charges | 745 | 915 | 1,490 | 3,150 |
| Computer support | 1,185 | 1,185 | 1,185 | 3,555 |
| Copier | 3,465 | 450 | 483 | 4,398 |
| Office supplies and postage | 5,196 | 1,819 | 818 | 7,833 |
| Repairs and maintenance | 3,670 | 1,835 | 1,835 | 7,340 |
| Dues and subscriptions | 1,631 | 1,631 | 1,631 | 4,893 |
| Licenses, fees and taxes | - | 461 | - | 461 |
| Utilities | 5,656 | 2,828 | 2,828 | 11,312 |
| Interest | - | 461 | - | 461 |
| SUBTOTAL | 186,825 | 70,085 | 48,717 | 305,627 |
| Depreciation | - | 3,844 | - | 3,844 |
| In-kind support | 25,199 | - | - | 25,199 |
| TOTAL | <u>\$ 212,024</u> | <u>\$ 73,929</u> | <u>\$ 48,717</u> | <u>\$ 334,670</u> |

The accompanying notes are an integral part of these financial statements

THE ARTS COUNCIL, INC.
STATEMENT OF CASH FLOWS
Year ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets

| | |
|---|---------------|
| Adjustments to reconcile increase (decrease) in net assets provided by (used in) operating activities | \$ (13,508) |
| Depreciation | 3,844 |
| In-kind support received | 25,199 |
| In-kind support used | (25,199) |
| (Increase) decrease in assets | |
| Prepaid insurance | (666) |
| Accounts receivable | 2,500 |
| Increase (decrease) in liabilities | |
| Accounts payable | 5,325 |
| Accrued expenses and other liabilities | 23,288 |
| Due to the Arts Foundation for Martin County, Inc. | (6,431) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>27,860</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------------|
| Increase in property and equipment | (3,422) |
| Increase in beneficial interest in assets held by community foundation | (16,106) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(19,528)</u> |
| NET DECREASE IN CASH AND EQUIVALENTS | (5,176) |

CASH AND EQUIVALENTS

| | |
|-------------------|-------------------------|
| Beginning of Year | 41,927 |
| End of Year | <u><u>\$ 36,751</u></u> |

The accompanying notes are an integral part of these financial statements

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – NATURE OF ORGANIZATION AND REPORTING ENTITY

Organization

The Arts Council, Inc. (the Council) was organized in 1980 under the laws of the State of Florida as a nonprofit organization. The purpose of the Council is to promote, coordinate, develop and encourage the arts and cultural growth in Martin County, Florida. Funding is derived principally from contributions, grants and fund raising activities.

The Council qualifies as nonprofit organizations as described in Section 501 (c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Cash and Cash Equivalents

Cash on the statement of position includes demand deposits, certificate of deposits with a maturity of three months or less and money market accounts. Cash and cash equivalents in the statement of cash flows include certificates of deposit as these accounts can be converted to cash immediately with no material penalty. The Organization maintains its cash balances in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Bad Debt

The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been determined. If amounts become uncollectible, they will be charged as an expense to the Organization in the period when the determination is made.

Inventory

Inventories may consist of promotional apparel, prints, posters and books. Inventories are stated at lower of cost or market on the first-in, first-out method. Contributions of inventory are recorded as revenue at their estimated fair value on the date of the donation.

Contributed Services and Property

Contributions of donated non-cash assets are recorded at their fair values in the period received. Certain contributed supplies, advertising space and airtime, and use of facilities are recorded as support and expenses at fair value when determinable, otherwise at values indicated by the donor. Volunteer services that neither create nor enhance nonfinancial assets nor do they require specialized skills are not recognized as support in the accompanying consolidated statements of activities.

Furniture, Fixtures, Equipment and Leasehold Improvements

Furniture, fixtures, and equipment are recorded at cost or, if donated, at the approximate fair value as of the date of the donation and are being depreciated using the accelerated and straight-line methods over their estimated useful lives ranging from 5 to 7 years. It is the Organization's policy to include amortization of leasehold improvements with depreciation. Leasehold improvements are amortized over their estimated useful life.

Public Support and Revenue

Contributions and grants received are generally available for unrestricted use in the year received unless specifically restricted by the donor. Grants, other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor 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 reported in the consolidated financial statements of activities as net assets released from restriction. Contributions that are restricted by the donor are presented as increase in net assets without donor restriction if the restrictions expire in the year in which the contributions are recognized.

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue (continued)

Endowment contributions and the related interest income on their invested assets are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

The Council is a nonprofit corporation whose revenue is derived from contributions and other fund-raising activities and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made in these financial statements. The Organization evaluates any uncertain income tax positions based on how the income tax positions are likely to be sustained if the Internal Revenue Service (IRS) or the Florida Department of Revenue (Florida DOR) examined the positions. Accordingly, a contingency would be recognized when the income tax position taken by the Organization is likely to be challenged upon an audit by the IRS or the Florida DOR. There were no uncertain tax positions qualifying for disclosure for the tax years subject to audit by the IRS or Florida DOR. The Organization's Return of Organization Exempt from Income Tax (Form 990) is subject to a possible audit by the IRS for three years after they were filed.

Revenue Recognition

Contributions and grants received are reported as either revenue with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, donor restricted assets are reclassified to net assets without donor restrictions. Grant revenue is recognized as revenue when the terms stipulated by the grant contract are met, costs are incurred, or services are performed. The Organization holds special events throughout the year, for which revenue are recorded when received, or if received in advance in the year of the event.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of the various programs have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Expenses are charged to each program based on direct expenditures incurred.

Any program expenditures not directly chargeable to a program, primarily salaries and related costs, are allocated to the program based on a percentage to that program. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Advertising Costs

The Organizations expense advertising costs as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Event

Management has performed an analysis of the activities and transactions subsequent to September 30, 2021 to determine the need for any adjustments to and/or disclosures with the audited financial statements for the year ended September 30, 2021. Management has performed their analysis through February 3, 2022 the date the financial statements were available to be issued.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consist of the following at year-end:

| | |
|--------------|------------------|
| Cash in bank | \$ 36,751 |
| | <u>\$ 36,751</u> |

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE D - FURNITURE, FIXTURES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, fixtures and equipment consisted of the following at year-end:

| | |
|-------------------------------|-------------------------|
| Furniture and fixtures | \$ 9,389 |
| Computer equipment | 33,352 |
| Gallery improvements | 74,059 |
| | <u>116,800</u> |
| Less accumulated depreciation | 102,095 |
| | <u><u>\$ 14,705</u></u> |

Depreciation is recorded on the straight-line method and totaled \$3,488 in fiscal year ended September 30, 2021.

NOTE E - GOVERNMENT CONTRIBUTIONS

| | |
|--|--------------------------|
| State of Florida Division of Cultural Affairs is used for general program support | \$ 17,210 |
| State of Florida License Plate Program funds are used for arts education and outreach to the unreserved in Martin County, Florida | 4,363 |
| Martin County Florida funds are used for the general and administrative support of the arts in Martin County, Florida | 72,563 |
| National Endowment for the Arts (NEA), a Federal agency, funds are used for the Arts Engagement in American Communities program, Gallery Exhibition: Cut Blown Cast. | 50,000 |
| Total | <u><u>\$ 144,136</u></u> |

NOTE F - CONTRIBUTED SERVICES

The Organization receives services and other non-financial contributions without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures. A total of \$25,199 was recorded as contributed services in the financial statements. Contributed services consisted of the estimated fair market value of rent, advertising, goods and services.

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE G - AGREEMENT

The Council maintains an agreement with Martin County, Florida for use of the historic county courthouse building for exhibits and administrative offices. The agreement is a 5 year agreement. The agreement ends on September 30, 2024. The agreement may be renewed for subsequent 5 year periods upon the same terms and conditions.

NOTE H – RELATED PARTY TRANSACTIONS

During the fiscal year, the Arts Council collected and transferred funds on behalf of the Arts Foundation for Martin County, Inc. At year end, there was \$16,614 due to the Foundation. In addition, the Council paid management fees for supporting services to the Foundation in the amount of \$8,750.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS AND ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of other events specified by the donors. Net assets with donor restrictions and released from donor restrictions for the year ended September 30, 2021 are as follows:

| | Temporary | | Permanent | |
|-------------------------|--|--------------------------------------|--------------------------------------|------------------|
| | State of Florida License Plate Program | Community Foundation Endowment | Community Foundation Endowment | Total |
| Beginning balance | \$ 4,103 | \$ 14,501 | \$ 50,000 | \$ 68,604 |
| Additions: | | | | |
| Contributions | 4,363 | - | - | 4,363 |
| Net investment income | - | 16,106 | - | 16,106 |
| Release of restrictions | (4,363) | - | - | (4,363) |
| Ending balance | <u>\$ 4,103</u> | <u>\$ 30,607</u> | <u>\$ 50,000</u> | <u>\$ 84,710</u> |

The Community Foundation for Palm Beach and Martin Counties, Inc. (the Community Foundation) holds the Organization's Endowment Fund for the benefit of the Organization. The Endowment Fund is subject to the Community Foundation's investment and spending policies. Distributions from the Fund may be made from income and capital appreciation, but not the endowment amount. Distributions in excess of the amount dictated by the Community Foundation's spending policy may be made to the Organization in any year as determined by the Board of the Community Foundation provided one of the following conditions is met:

- a. The distribution is for the purpose of enabling the Organization to acquire or renovate a capital asset.
- b. Organization is faced with unexpected financial needs that are not likely to recur, and the request for distribution will enable the Organization to meet those needs.

THE ARTS COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS AND ASSETS RELEASED FROM DONOR RESTRICTIONS (CONTINUED)

Investment income totaling \$16,106 is included in the statement of activities for the year ended September 30, 2021. In as much as the investment activities are not directed by the Organization unrealized gains are not reported to the Organization and are not included in the statement of activities for the year ended September 30, 2021.

NOTE J - DEFINED CONTRIBUTION RETIREMENT PLAN

The Council sponsors a 403(b) defined contribution retirement plan covering all eligible employees after one year of service. Council contributions are matched against the amount contributed by the employee, not to exceed 3% of the employee's gross wages. Total pension expense for the fiscal year ended September 30, 2021 was \$2,881. The payroll was transferred from The Foundation to The Council January 1, 2021.

NOTE K – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30, 2021:

| | |
|--|------------------|
| FINANCIAL ASSETS AT YEAR END | |
| Cash and cash equivalents | \$ 36,751 |
| FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS | <u>\$ 36,751</u> |

It is the Council's practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.