

The Arts Council, Inc.

**Board Meeting Agenda – Special Meeting**

March 17, 2020 – 5:30 PM

*Members: Karen Barnes, Jeff Bowers, Gaby Ferraro, Maria Miele, Terri Pettengill*

*Ex-Officio: Anthony Anderson, Becky Bruner, Doug Smith, Nancy Johnson*

1. Welcome/Attendance Jeff Bowers, Chair
2. Approve Agenda
3. New Business & Presentations Mark Brechbill CPAs  
Nancy Turrell
  - Year End Financial Review Report (presented at meeting)
  - Update on HVAC project and future renovations
4. Other Business/Announcements
5. Comments from the Public
6. Adjourn

Next Regular Meeting: April 28, 2020, 5:30 PM

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**The Arts Council, Inc.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**Year Ended September 30, 2019**

# DRAFT

**The Arts Council, Inc.**  
**September 30, 2019**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying financial statements of The Arts Council, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2019 and the related statements of activities, functional expenses and changes in net assets 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, we 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 (US GAAP); this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee (ARSC) of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with US GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

***Accountants' Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with US GAAP.

Mark Brechbill, PLLC  
February 28, 2020

**The Arts Council, Inc.**  
 STATEMENT OF FINANCIAL POSITION  
 September 30, 2019

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**ASSETS**

Cash and cash equivalents	\$ 51,230
Inventory	435
Prepaid expenses	1,552
Accounts receivable	11,000
	<u>64,217</u>

**PROPERTY AND EQUIPMENT**

Furniture, fixtures, and equipment	102,453
Less accumulated depreciation	94,679
	<u>7,774</u>

**OTHER ASSETS**

Fine Art Collections	34,600
Beneficial interest in assets held by Community Foundation - Note I	60,985
	<u>95,585</u>

TOTAL ASSETS	<u><u>\$ 167,576</u></u>
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**LIABILITIES**

Accounts payable	\$ 14,001
Accrued expenses and other liabilities	54,882
Deferred revenue	13,036
Due to The Arts Foundation for Martin County, Inc.	26,510
Total Liabilities	<u>108,429</u>

**NET ASSETS**

Without donor restrictions	(5,941)
With donor restrictions	65,088
Total Net Assets	<u>59,147</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 167,576</u></u>
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*Please read the Independent Accountants' Review Report  
and the accompanying Notes to Financial Statements.*

# DRAFT

**The Arts Council, Inc.**  
STATEMENT OF ACTIVITIES  
Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Permanent	
<b>SUPPORT, REVENUE, AND TRANSFERS</b>				
Contributions				
Government	\$ 61,698	\$ 6,036	\$ -	\$ 67,734
Private and community funds	105,798	-	-	105,798
Membership	31,512	-	-	31,512
Sponsorship	79,043	-	-	79,043
In-kind	41,589	-	-	41,589
Program events	176,782	-	-	176,782
Investment income	-	4,720	-	4,720
Interest income	530	-	-	530
Other income	5,200	-	-	5,200
	<u>502,152</u>	<u>10,756</u>	<u>-</u>	<u>512,908</u>
Net assets released from restrictions	6,036	(6,036)	-	-
<b>TOTAL SUPPORT, REVENUE, AND TRANSFERS</b>	<u>508,188</u>	<u>4,720</u>	<u>-</u>	<u>512,908</u>
<b>EXPENSES</b>				
Program services	364,414	-	-	364,414
Support services				
General and administrative	123,480	-	-	123,480
Fundraising	15,625	-	-	15,625
<b>TOTAL EXPENSES</b>	<u>503,519</u>	<u>-</u>	<u>-</u>	<u>503,519</u>
<b>CHANGE IN NET ASSETS</b>	\$ 4,669	\$ 4,720	\$ -	\$ 9,389
<b>NET ASSETS</b>				
Beginning of Year	(10,610)	10,368	50,000	49,758
End of Year	<u>\$ (5,941)</u>	<u>\$ 15,088</u>	<u>\$ 50,000</u>	<u>\$ 59,147</u>

*Please read the Independent Accountants' Review Report  
and the accompanying Notes to Financial Statements.*

**The Arts Council, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended September 30, 2019

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 161,982	\$ 68,781	\$ 10,551	\$ 241,314
Artist fees, supplies and awards	10,885	-	-	10,885
Professional fees	3,164	5,661	-	8,825
Events	112,278	-	-	112,278
Marketing	26,455	489	708	27,652
Travel, conferences and training	2,100	65	-	2,165
Insurance	1,000	7,618	40	8,658
Bank service charges	4,941	3,837	(20)	8,758
Computer support	2,013	3,147	2,548	7,708
Copier and copies	4,202	671	-	4,873
Office supplies and postage	1,709	6,991	146	8,846
Repairs and maintenance	-	3,320	1,652	4,972
Dues and subscriptions	-	1,540	-	1,540
Licenses, fees, and taxes	-	371	-	371
Utilities	3,135	7,589	-	10,724
Interest expense	961	-	-	961
SUBTOTAL	<u>334,825</u>	<u>110,080</u>	<u>15,625</u>	<u>460,530</u>
Depreciation	-	1,400	-	1,400
In-kind support	29,589	12,000	-	41,589
TOTAL	<u>\$ 364,414</u>	<u>\$ 123,480</u>	<u>\$ 15,625</u>	<u>\$ 503,519</u>

*Please read the Independent Accountants' Review Report  
and the accompanying Notes to Financial Statements.*

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**The Arts Council, Inc.**  
STATEMENT OF CASH FLOWS  
Year ended September 30, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

<b>CHANGE IN NET ASSETS</b>	\$	9,389
Adjustments to reconcile increase (decrease) in net assets provided (used) by operating activities:		
Depreciation		1,400
In-kind support received		41,589
In-kind support used		(41,589)
(Increase) decrease in:		
Prepaid expenses and other assets		1,492
Increase (decrease) in:		
Accounts payable and accrued expenses		(17,461)
Accrued expenses and other liabilities		30,100
Deferred revenue		(16,602)
Due to The Arts Foundation for Martin County, Inc.		25,786
		<u>34,104</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>34,104</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase in computer and software	(8,464)
Increase in beneficial interest in assets held by community foundation	(4,728)
	<u>(13,192)</u>

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES**

(13,192)

**NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS**

\$ 20,912

**CASH AND EQUIVALENTS**

Beginning of Year	<u>30,318</u>
End of Year	<u><u>\$ 51,230</u></u>

*Please read the Independent Accountants' Review Report and the accompanying Notes to Financial Statements.*



#### NOTE A – NATURE OF 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 a nonprofit organization as described in Section 501 (c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 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.

##### 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 net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions. Contributions that are restricted by the donor are presented as increase in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized.

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

##### Cash and Cash Equivalents

For purposes of the statement of position and in the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents and include demand deposits and money market accounts. The Organization maintains its cash balances in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

##### 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.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restriction consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports grants and gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions generally are contributions or grants that have been restricted by the donor or grantor for a specific purpose, such as capital improvements or certain programs. These restrictions are considered to expire when the contributions have been used for the specific purpose they were donated. Net assets with donor restrictions also include otherwise unrestricted contributions that are restricted due to time, that is, the amounts will not be paid to the Organization until some future time. These restrictions are considered to expire when the time has elapsed and the Organization receives the payment from the donor.

Some assets with donor restriction may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provision of additional donor imposed stipulations or a Board approved spending policy.

See Note I for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. It is the Organization's policy to include amortization of leasehold improvements with depreciation. Leasehold improvements are amortized over their estimated useful life.

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.

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 are allocated to the program based on management's estimates. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Advertising Costs

The Organization expenses advertising costs as incurred.

Income Taxes

The Arts Council, Inc. is a nonprofit corporation whose revenue is derived from contributions and other fundraising activities and is 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.

**NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

Cash in Bank	\$ 51,230
	<u>\$ 51,230</u>

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**The Arts Council, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - FURNITURE, FIXTURES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

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

Furniture and fixtures	\$	-
Computer equipment		2,228
Gallery art		26,166
Gallery improvements		74,059
		<u>102,453</u>
Less Accumulated Depreciation		(94,679)
	\$	<u>7,774</u>

The Organizations utilize straight-line depreciation over the estimated useful lives of the property, equipment and improvements. The Organizations had depreciation expense of \$1,400 in fiscal year ending September 30, 2019.

**NOTE E – GOVERNMENT CONTRIBUTIONS**

State of Florida Division of Cultural Affairs is used for general program support	\$	5,987
State of Florida License Plate Program funds are used for arts education and outreach to the unreserved in Martin County, Florida		6,036
Martin County Florida funds are used for the general and administrative support of the arts in Martin County, Florida		45,711
NEA funds are used to serve as the local arts agency for Martin County and fill its mission to inspire participation in and a passion for the arts in our community		10,000
	\$	<u>67,734</u>

**NOTE F – IN-KIND CONTRIBUTIONS**

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 \$41,589 was recorded as in-kind support in the financial statements. In-kind support consisted of the estimated fair market value of contributed services of \$17,742, rent on the County Courthouse building donated by the City of Stuart totaling \$12,600, advertising totaling \$7,509, and promotional and marketing services and auction donations totaling \$3,738.

**NOTE G - LEASE**

The Council maintains a lease with the City of Stuart, Florida for use of the County Courthouse building for exhibits and administrative offices. The lease is renewed annually. The term of the lease is through September 30 each year and includes rent that is donated by the City of Stuart.

**NOTE H - RELATED PARTY TRANSACTIONS**

In the usual course of business, during the fiscal year the Organization collects and transfers funds on behalf of The Arts Foundation for Martin County, Inc. At year end there was \$26,510 due to the Foundation.

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

	State of Florida License Plate Program	Community Foundation Endowment	Community Foundation Endowment	Total
Beginning Balance	\$ 4,103	\$ 6,265	\$ 50,000	\$ 60,368
Additions:				
Contributions	6,036	-	-	6,036
Net investment income	\$ -	4,720	-	4,720
Release of restrictions	(6,036)	\$ -	\$ -	(6,036)
Ending Balance	<u>\$ 4,103</u>	<u>\$ 10,985</u>	<u>\$ 50,000</u>	<u>\$ 65,088</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of other events specified by the donors.

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.

Investment income totaling \$4,720 is included in the statement of activities for year-end September 30, 2019. 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, 2019.

**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 ending September 30, 2019 was \$4,603.

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NOTE K - SPECIAL EVENTS

The Organization holds special events that directly support the primary purpose of the organization and are also fundraising activities for the organization. Costs associated with the special events are included in program costs on the statement of functional expenses as these events directly support the arts and culture in Martin County. Special events consisted of the following events for the year ended September 30, 2019:

	Event Income	Contributions	Total Revenue	Expenses	Net
Artsfest	\$ 126,963	\$ -	\$ 126,963	78,331	48,632
Marties	21,857	21,706	43,563	19,398	24,165
Total Arts Council	<u>\$ 148,820</u>	<u>\$ 21,706</u>	<u>\$ 170,526</u>	<u>97,729</u>	<u>72,797</u>
 Total Events	 <u>\$ 148,820</u>	 <u>\$ 21,706</u>	 <u>\$ 170,526</u>	 <u>\$ 97,729</u>	 <u>\$ 72,797</u>

February 28, 2020

Board of Directors  
The Arts Foundation for Martin County, Inc.  
80 East Ocean Boulevard  
Stuart, FL 34994

Dear Members of the Board of Directors:

We have reviewed the financial statements of The Arts Foundation for Martin County, Inc. (the Organization) for the year ended September 30, 2019, and have issued our report thereon dated February 28, 2020. Professional standards require that we provide you with the following information related to our review.

Our Responsibility under Statements on Standards for Accounting and Review Services

As stated in our engagement letter dated January 9, 2020, our responsibility, as described by professional standards, is to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with US GAAP. Our review of the consolidated financial statements does not relieve you or management of your responsibilities.

Significant Review Findings

*Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will we will inform management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. The significant accounting policies used by The Arts Foundation for Martin County, Inc. are described in Note B to the financial statements. As a result of our review we have determined that the accounting practices were consistently applied and were in compliance with accounting principles that are generally accepted in the United States of America.

*Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There are no significant estimates made for the Organization's financial statements. Although not material, we believe Management and the Board of Directors have made the appropriate level of effort to adequately make these estimates.

*Accounting Disclosures*

Disclosures in the financial statements are also integral to the financial statements and disclosures should be neutral, consistent, and clear.

### Internal Control

We did not consider the Organization's internal control to determine our review procedures for the purpose of preparing the financial statements of the organization. Segregation of duties is an integral part of the system of internal control and it is considered a preventative control since it would prevent an error from occurring in the financial information. In an accounting department that consists of one person, there is limited ability to adequately segregate duties. As a result, the Organization must rely on a second review, as a detective control, to identify errors that may have occurred. Detective controls consist of procedures such as the monthly review of the bank reconciliation, review of the bank statements including copies of cleared checks, review of the reconciliation of the balance sheet accounts such as accounts receivable and payable. A financial statement review and the review of account reconciliations are key to the detection of an error. The absence of such reviews is a key weakness in the internal controls of the Organization. The Board of Directors would also be an integral part of the detective control with a timely and comprehensive review of financial data.

### Difficulties Encountered in Performing the Review

We encountered no difficulties in dealing with management in performing and completing our review.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the review, other than those that are trivial, and communicate them to the appropriate level of management. Adjusting journal entries were provided to Management.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or reviewing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the reviewer's report. There were no such disagreements that arose during the course of our review.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2020.

This information is intended solely for the use of the Board of Directors and management of The Arts Council, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mark Brechbill, PLLC