

ADAMS COUNTY ARTS COUNCIL

YEARS ENDED DECEMBER 31, 2018 AND 2017

ADAMS COUNTY ARTS COUNCIL
YEARS ENDED DECEMBER 31, 2018 AND 2017

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OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adams County Arts Council
Gettysburg, Pennsylvania

We have audited the accompanying financial statements of Adams County Arts Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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



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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 Adams County Arts Council as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boles Metzger Brosius & Walborn PC

Harrisburg, Pennsylvania

March 20, 2019

ADAMS COUNTY ARTS COUNCIL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$135,653	\$66,016
Accounts receivable	7,435	4,049
Unconditional promises to give, net	4,250	1,300
Prepaid expenses	1,919	2,432
Total current assets	149,257	73,797
Net property and equipment	1,358,358	1,359,093
Non-current assets,		
Beneficial interest in community foundation	42,857	46,676
Unconditional promises to give, net	4,000	2,700
Total non-current assets	46,857	49,376
Total assets	\$1,554,472	\$1,482,266
LIABILITIES AND NET ASSETS		
Current liabilities:		
Note payable, bank	\$70,957	\$80,505
Current portion of long-term debt	22,859	22,076
Accounts payable and accrued expenses	18,593	7,863
Accrued payroll and payroll taxes	8,095	3,436
Deferred revenue	3,860	3,313
Total current liabilities	124,364	117,193
Long-term debt, net of current portion	1,335,923	1,358,647
Total liabilities	1,460,287	1,475,840
Net assets:		
Without donor restrictions (deficit):		
Undesignated	(6,273)	(107,770)
Designated by the board	13,328	9,373
	7,055	(98,397)
With donor restrictions:		
Perpetual in nature	43,268	43,268
Purpose restrictions	43,862	61,555
	87,130	104,823
Total net assets	94,185	6,426
Total liabilities and net assets	\$1,554,472	\$1,482,266

See notes to financial statements.

ADAMS COUNTY ARTS COUNCIL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without donor restrictions	With donor restrictions	2018 Total	2017 (memo only)
Public support and revenue:				
Contributions	\$64,183	\$70,517	\$134,700	\$131,454
Grants	12,884	173,940	186,824	162,236
Fundraising events	4,064	-	4,064	5,277
Program fees	343,230	-	343,230	181,300
Less cost of direct benefits	<u>(49,571)</u>	-	<u>(49,571)</u>	-
Net program fees	293,659	-	293,659	181,300
Membership dues	40,138	-	40,138	35,120
Rental income	14,480	-	14,480	10,945
Investment income	213	-	213	282
Change in value of endowment fund	(1,784)	-	(1,784)	(237)
Net assets released from restriction	<u>262,150</u>	<u>(262,150)</u>	-	-
Total support and revenue	<u>689,987</u>	<u>(17,693)</u>	<u>672,294</u>	<u>526,377</u>
Expenses:				
Program	415,250	-	415,250	371,200
Management and general	131,812	-	131,812	115,165
Fundraising	<u>37,473</u>	-	<u>37,473</u>	<u>36,788</u>
Total expenses	<u>584,535</u>	-	<u>584,535</u>	<u>523,153</u>
Change in net assets	105,452	(17,693)	87,759	3,224
Net assets (deficit), beginning	<u>(98,397)</u>	<u>104,823</u>	<u>6,426</u>	<u>3,202</u>
Net assets (deficit), ending	<u><u>\$7,055</u></u>	<u><u>\$87,130</u></u>	<u><u>\$94,185</u></u>	<u><u>\$6,426</u></u>

See notes to financial statements.

ADAMS COUNTY ARTS COUNCIL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without donor restrictions	With donor restrictions	Total
Public support and revenue:			
Contributions	\$91,454	\$40,000	\$131,454
Grants	20,363	141,873	162,236
Fundraising events	5,277	-	5,277
Program fees	181,300	-	181,300
Membership dues	35,120	-	35,120
Rental income	10,945	-	10,945
Investment income	282	-	282
Change in value of endowment fund	(1,237)	1,000	(237)
Net assets released from restriction	162,025	(162,025)	-
Total support and revenue	<u>505,529</u>	<u>20,848</u>	<u>526,377</u>
Expenses:			
Program	371,200	-	371,200
Management and general	115,165	-	115,165
Fundraising	36,788	-	36,788
Total expenses	<u>523,153</u>	<u>-</u>	<u>523,153</u>
Change in net assets	(17,624)	20,848	3,224
Net assets (deficit), beginning	<u>(80,773)</u>	<u>83,975</u>	<u>3,202</u>
Net assets (deficit), ending	<u><u>(\$98,397)</u></u>	<u><u>\$104,823</u></u>	<u><u>\$6,426</u></u>

See notes to financial statements.

ADAMS COUNTY ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program	Supporting services			2018 Total	2017 (memo only)
		Management and general	Fundraising	Direct benefits		
Wages	\$96,664	\$84,977	\$10,069	\$ -	\$191,710	\$174,680
Payroll taxes	7,007	8,822	699	-	16,528	16,295
Employee benefits	9,744	899	1,182	-	11,825	10,726
Advertising	1,737	-	-	-	1,737	2,365
Bad debt expense	-	-	-	-	-	5,300
Bank service charges	-	3,979	-	-	3,979	5,873
Depreciation	34,801	5,800	5,800	-	46,401	47,136
Dues and subscriptions	1,153	-	-	-	1,153	1,092
Insurance	7,609	1,268	1,268	-	10,145	9,225
Interest expense	43,725	7,288	7,288	-	58,301	58,871
Licenses and permits	-	608	-	-	608	1,303
Miscellaneous	-	5,248	-	-	5,248	1,956
Occupancy	19,979	3,330	3,329	-	26,638	23,575
Operating supplies	40,981	-	-	-	40,981	31,331
Professional fees	-	8,150	-	-	8,150	7,600
Program expenses	140,684	-	6,395	49,571	196,650	111,536
STAR grants	9,722	-	-	-	9,722	9,430
Telephone	1,444	1,443	1,443	-	4,330	4,859
Total expenses	\$415,250	\$131,812	\$37,473	\$49,571	\$634,106	\$523,153
Less expenses included with revenues on the statement of activities:						
Cost of direct benefits	-	-	-	(49,571)	(49,571)	-
Total functional expenses	\$415,250	\$131,812	\$37,473	\$ -	\$584,535	\$523,153

See notes to financial statements.

ADAMS COUNTY ARTS COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program	Supporting services			Total
		Management and general	Fundraising	Direct benefits	
Wages	\$100,627	\$64,921	\$9,132	\$ -	\$174,680
Payroll taxes	7,243	8,426	626	-	16,295
Employee benefits	8,838	815	1,073	-	10,726
Advertising	2,365	-	-	-	2,365
Bad debt expense	-	5,300	-	-	5,300
Bank service charges	-	5,873	-	-	5,873
Depreciation	35,352	5,892	5,892	-	47,136
Dues and subscriptions	1,092	-	-	-	1,092
Insurance	6,919	1,153	1,153	-	9,225
Interest expense	44,153	7,359	7,359	-	58,871
Licenses and permits	-	1,303	-	-	1,303
Miscellaneous	-	1,956	-	-	1,956
Occupancy	17,681	2,947	2,947	-	23,575
Operating supplies	31,331	-	-	-	31,331
Professional fees	-	7,600	-	-	7,600
Program expenses	104,549	-	6,987	-	111,536
STAR grants	9,430	-	-	-	9,430
Telephone	1,620	1,620	1,619	-	4,859
Total expenses	\$371,200	\$115,165	\$36,788	\$ -	\$523,153

See notes to financial statements.

ADAMS COUNTY ARTS COUNCIL

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$87,759	\$3,224
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	46,401	47,136
(Gain) loss on sale of investments	202	(174)
Net change in endowment fund	3,819	3,436
Donation of investments	(3,302)	(3,313)
Provision for uncollectible pledges receivable	(3,100)	5,100
(Increase) decrease in current assets:		
Accounts receivable	(3,389)	(660)
Unconditional promises to give	(1,150)	3,200
Prepaid expenses	513	(509)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	10,732	(4,846)
Accrued payroll and payroll taxes	4,659	(3,299)
Deferred revenue	547	(621)
Net cash provided (used) by operating activities	<u>143,691</u>	<u>48,674</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,100	3,487
Capital expenditures	<u>(45,665)</u>	<u>(9,593)</u>
Net cash provided (used) by investing activities	<u>(42,565)</u>	<u>(6,106)</u>
Cash flows from financing activities:		
Net borrowing under line-of-credit agreement	(9,548)	(8,547)
Principal payments on long-term debt	<u>(21,941)</u>	<u>(21,322)</u>
Net cash provided (used) by financing activities	<u>(31,489)</u>	<u>(29,869)</u>
Net increase (decrease) in cash and cash equivalents	69,637	12,699
Cash and cash equivalents, beginning	<u>66,016</u>	<u>53,317</u>
Cash and cash equivalents, ending	<u><u>\$135,653</u></u>	<u><u>\$66,016</u></u>

(continued)

ADAMS COUNTY ARTS COUNCIL
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$58,301	\$58,871
Income taxes	\$ -	\$ -
Supplemental schedule of noncash operating activities:		
Donated securities	\$3,302	\$3,313
Donated services and supplies	\$34,153	\$9,967

See notes to financial statements.

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - PURPOSE AND ORGANIZATION

Incorporated in 1993, the Adams County Arts Council is a nonprofit organization which supports the arts throughout Adams County, Pennsylvania. The Council's mission is to cultivate an arts-rich community. The Council's primary goals are to provide high quality arts education opportunities for students, to support local arts presenters, schools and artists, and to promote economic development through the arts. The Council is supported primarily through grants, public fundraising events and membership dues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Adams County Arts Council is presented to assist in understanding the Council's financial statements. The financial statements and notes are representations of the Council's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Council considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents. This includes checking, savings, certificates of deposit and money market accounts.

The USDA Note agreement specifies that the Council must maintain a separate savings account equal to 10% of the total payments made to date against the outstanding loan balance, until a sum of \$71,772 is accumulated in the reserve account. During 2018, the Council made the required payments, but received permission to withdraw \$3,241 to fund the cost of roof repairs. During 2017, the Council received temporary relief from this funding requirement. At December 31, 2018 and 2017, the balance in the mortgage reserve account totaled \$13,328 and \$9,373, respectively. The balance of the reserve account is classified as net assets without donor restrictions designated by the board.

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncollectible accounts receivable:

Since bad debts have historically not been material, no allowance for uncollectible accounts has been provided. The organization uses the specific write-off method in recording uncollectible accounts.

Promises to give:

Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. The Council uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior experience and management's analysis of specific pledges made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions are substantially met.

Property and equipment:

Property and equipment are recorded at cost. The organization capitalizes assets purchased with a cost greater than \$2,500. Depreciation is provided by the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Equipment and furniture	5 - 7 years

Investments:

U.S. Generally accepted accounting principles, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs in situations where markets do not exist or are illiquid and have the lowest priority. The Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value and are readily available for all investments of the Council. Purchases and sales of securities are recorded on a trade-date basis.

Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued):

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions:

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The Internal Revenue Service has determined that Adams County Arts Council is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, contributions to the Council are deductible for Federal income tax purposes.

Reclassification:

Certain reclassifications of amounts previously reported have been made to the financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

ADAMS COUNTY ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events:

The Council has evaluated subsequent events through March 20, 2019, the date which the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31, 2018 and 2017:

Financial assets at year end:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$135,653	\$66,016
Accounts receivable	7,435	4,049
Unconditional promises to give, net	<u>4,250</u>	<u>1,300</u>
Financial assets at year end	147,338	71,365
Less those unavailable for general expenditures:		
Restricted by donor with time or purpose restrictions	<u>(39,862)</u>	<u>(61,555)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$107,476</u>	<u>\$9,810</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Within one year	\$6,250	\$6,400
In one to five years	<u>4,000</u>	<u>2,700</u>
	10,250	9,100
Less allowances for uncollectible promises to give	<u>(2,000)</u>	<u>(5,100)</u>
Promises to give, net	<u>\$8,250</u>	<u>\$4,000</u>

ADAMS COUNTY ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 - PROMISES TO GIVE (continued)

During 2018, the Council received a conditional promise of \$160,000, due in \$80,000 increments in 2019 and 2020. Payment is conditional upon there being an outstanding balance due on the USDA mortgage.

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$1,636,258	\$1,597,781
Furniture and equipment	<u>57,265</u>	<u>57,623</u>
	1,693,523	1,655,404
Accumulated depreciation	<u>(335,165)</u>	<u>(296,311)</u>
Net property and equipment	<u><u>\$1,358,358</u></u>	<u><u>\$1,359,093</u></u>

NOTE 6 - INVESTMENTS

The following schedule summarized the investment return and its classification in the statement of activities for the years ended December 31, 2018 and 2017, including donated stocks sold during the year:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$415	\$108
Net realized and unrealized gain (loss)	<u>(202)</u>	<u>174</u>
Total investment return	<u><u>\$213</u></u>	<u><u>\$282</u></u>

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted prices in active markets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
December 31, 2018				
Beneficial interest	<u>\$42,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$42,857</u>
December 31, 2017				
Beneficial interest	<u>\$46,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$46,676</u>

For assets falling within Level 3 in the fair value hierarchy, the activity recognized during the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Beneficial interest in Community Foundations:		
Balance, beginning	\$46,676	\$50,112
Contributions	-	1,000
Distributions	(2,035)	(3,200)
Earnings	(1,784)	(1,236)
Balance, ending	<u>\$42,857</u>	<u>\$46,676</u>

The unrealized gain for beneficial interests in Community Foundations, classified as Level 3, are included as change in value of endowment funds in the statement of activities.

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 - BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

The Adams County Community Foundation is a community foundation made up of several component funds, which includes the Adams County Arts Council Endowment Fund. The Board of Trustees of the Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community serviced. At December 31, 2018 and 2017 the total market value of this endowment fund was \$42,857 and \$46,676, respectively. The Council received \$2,035 and \$3,200 from the fund in 2018 and 2017, respectively.

NOTE 9 - NOTE PAYABLE, BANK

The Council signed a line-of-credit agreement of \$100,000. Interest is payable on the outstanding balance at a variable rate set by the bank, currently 7.2%. The line is unsecured. There was a balance outstanding of \$70,957 and \$80,505 at December 31, 2018 and 2017, respectively.

NOTE 10 - LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Note payable in monthly installments of \$5,982 including interest at 3.75%, until maturity in 2051. This note is secured by real estate, improvements and fixtures at 125 South Washington Street, Gettysburg.	\$1,355,938	\$1,376,328
Unsecured note payable in monthly installments of \$129 bearing interest at 0%, until maturity in 2020.	<u>2,844</u>	<u>4,395</u>
Total long-term debt	1,358,782	1,380,723
Less current portion	<u>22,859</u>	<u>22,076</u>
Long-term debt, net of current portion	<u><u>\$1,335,923</u></u>	<u><u>\$1,358,647</u></u>

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 - LONG-TERM DEBT (continued)

Principal maturities of long-term debt are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$22,859
2020	23,413
2021	22,965
2022	23,841
2023	24,750
Thereafter	<u>1,240,954</u>
 Total	 <u><u>\$1,358,782</u></u>

NOTE 11 - DEFERRED REVENUE

Deferred revenue represents deposits, class and special event registration fees for future periods received prior to the period end. Revenue is recognized in the year in which the income is earned. The balance deferred at December 31, 2018 and 2017 is \$3,860 and \$3,313, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose:		
Eat Smart, Play Hard classes	\$6,500	\$13,874
Star grants	8,426	7,200
Children's programs	5,000	-
Clay class	-	1,476
25th anniversary event	-	35,000
Scholarships	14,450	-
Young Artist Encouragement Award	3,405	4,005
Miscellaneous	6,081	-
Total purpose restrictions	<u>\$43,862</u>	<u>\$61,555</u>
 Perpetual in nature, Beneficial interest in Community Foundation	 <u>\$43,268</u>	 <u>\$43,268</u>

ADAMS COUNTY ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 - PROGRAM EXPENSES

Program expenses included on the statement of functional expenses consist of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Acts of Kindness production	\$9,903	\$31,073
Anniversary	6,638	-
Art classes/Education	30,407	32,596
Eat Smart Play Hard	19,557	19,228
Friends of Jen	-	1,430
Golf outing	6,395	6,987
Jingle Ball	107,164	-
Juried art exhibit	3,971	4,203
Local art	441	2,057
Masquerade ball	5,189	5,546
New Year's Eve	3,947	2,700
Other program costs	3,038	5,716
Total program expenses	<u>\$196,650</u>	<u>\$111,536</u>

NOTE 14 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, insurance, and interest which are allocated on a square footage basis, as well as salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

NOTE 15 - RETIREMENT

The Council offers staff employees the opportunity for participation in a contributory retirement plan. The Council matches employees' contributions up to 3% of their compensation. The expense to the Council in this arrangement was \$3,416 and \$2,814 for the years ended December 31, 2018 and 2017, respectively.