



Visual Arts Center of New Jersey

Audited Financial Statements

June 30, 2018

Independent Auditor's Report

To the Board of Directors of
Visual Arts Center of New Jersey, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Visual Arts Center of New Jersey, Inc., A New Jersey Nonprofit Corporation (the "Center"), which comprise the statement of financial position as of June 30, 2018, 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 organization'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 organization'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.

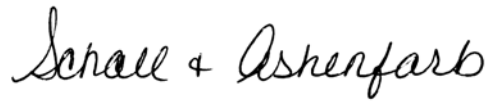
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visual Arts Center of New Jersey, Inc., A New Jersey Nonprofit Corporation as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 29, 2018

**VISUAL ARTS CENTER OF NEW JERSEY
A NEW JERSEY NONPROFIT CORPORATION
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2018**

(With comparative totals at June 30, 2017)

	<u>6/30/18</u>	<u>6/30/17</u>
Assets		
Cash and cash equivalents	\$154,891	\$97,628
Government grants receivable	31,686	27,085
Contributions receivable (Note 3)	207,510	147,516
Prepaid expenses and other assets	20,712	37,693
Investments (Note 4)	3,130,937	3,060,498
Fixed assets, net (Note 5)	<u>4,248,705</u>	<u>4,416,664</u>
 Total assets	 <u><u>\$7,794,441</u></u>	 <u><u>\$7,787,084</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$214,658	\$189,851
Deferred tuition	344,718	316,600
Line of credit (Note 6)	60,000	60,000
Mortgage payable (Note 7)	<u>681,742</u>	<u>725,296</u>
Total liabilities	<u>1,301,118</u>	<u>1,291,747</u>
Net assets:		
Unrestricted	3,125,692	3,256,137
Temporarily restricted (Note 8)	880,590	752,159
Permanently restricted (Note 9)	<u>2,487,041</u>	<u>2,487,041</u>
Total net assets	<u>6,493,323</u>	<u>6,495,337</u>
 Total liabilities and net assets	 <u><u>\$7,794,441</u></u>	 <u><u>\$7,787,084</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

VISUAL ARTS CENTER OF NEW JERSEY
A NEW JERSEY NONPROFIT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/18</u>	<u>Total 6/30/17*</u>
Public support and revenue:					
Tuition	\$1,318,242			\$1,318,242	\$1,535,405
Contributions	313,398	\$150,000		463,398	280,771
Government grants	104,143			104,143	135,342
Special events (net of expenses with a direct benefit to donor) (Note 10)	208,574			208,574	155,848
Membership dues	53,422			53,422	56,195
Fee for service income	55,042			55,042	27,000
Interest and dividends	32	90,242		90,274	90,371
Miscellaneous income	435			435	9,579
Net assets released from restrictions (Note 8)	224,362	(224,362)		0	0
Total public support and revenue	<u>2,277,650</u>	<u>15,880</u>	<u>0</u>	<u>2,293,530</u>	<u>2,290,511</u>
Expenses:					
Program services:					
Studio School	1,130,667			1,130,667	1,163,996
Education & Outreach	128,373			128,373	138,903
Curatorial	405,753			405,753	447,066
Total program services	<u>1,664,793</u>	<u>0</u>	<u>0</u>	<u>1,664,793</u>	<u>1,749,965</u>
Supporting services:					
Management and general	489,433			489,433	476,134
Fundraising	243,988			243,988	256,205
Total expenses	<u>2,398,214</u>	<u>0</u>	<u>0</u>	<u>2,398,214</u>	<u>2,482,304</u>
Change in net assets from operations	(120,564)	15,880	0	(104,684)	(191,793)
Non-operating activity:					
Net investment gains (Note4)	(9,881)	112,551		102,670	179,491
Total change in net assets	(130,445)	128,431	0	(2,014)	(12,302)
Net assets - beginning	3,256,137	752,159	2,487,041	6,495,337	6,507,639
Net assets - ending	<u>\$3,125,692</u>	<u>\$880,590</u>	<u>\$2,487,041</u>	<u>\$6,493,323</u>	<u>\$6,495,337</u>

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

**VISUAL ARTS CENTER OF NEW JERSEY
A NEW JERSEY NONPROFIT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

(With comparative totals for the year ended June 30, 2017)

	Program Services				Supporting Services		Total Expenses 6/30/18	Total Expenses 6/30/17*
	Studio School	Education & Outreach	Curatorial	Total	Management and General	Fundraising		
Salaries	\$686,257	\$87,717	\$144,714	\$918,688	\$246,840	\$156,806	\$1,322,334	\$1,387,459
Payroll taxes and employee benefits	76,822	13,747	32,092	122,661	47,812	19,469	189,942	229,649
Professional fees	1,546	127	1,088	2,761	87,005	5,642	95,408	124,579
Other program expenses	13,809	3,558	37,053	54,420		18,631	73,051	37,050
Facilities and grounds	16,279	1,337	11,447	29,063	4,386	823	34,272	43,227
Supplies and materials	76,522	379	9,983	86,884	3,247	16,333	106,464	105,311
Office equipment	35,317	2,900	24,833	63,050	9,517	1,784	74,351	51,804
Symposium and honoraria		1,584	5,689	7,273			7,273	6,784
Postage and shipping	8,646	269	9,502	18,417	882	1,284	20,583	30,185
Utilities	31,771	2,608	22,339	56,718	8,561	1,605	66,884	60,460
Insurance	20,895	1,716	14,692	37,303	5,630	1,056	43,989	33,598
Marketing/advertising	12,834	1,054	11,367	25,255	3,459	648	29,362	29,203
Bank charges and administrative fees	40,582		442	41,024	3,920	7,067	52,011	27,848
Travel and entertainment	2,181	179	2,095	4,455	2,698	338	7,491	18,320
Printing	14,849		10,557	25,406		6,167	31,573	50,947
Interest expense				0	29,871		29,871	32,591
Miscellaneous	3,393	3,894	5,304	12,591	11,632	1,840	26,063	21,485
Total expenses before depreciation	1,041,703	121,069	343,197	1,505,969	465,460	239,493	2,210,922	2,290,500
Depreciation	88,964	7,304	62,556	158,824	23,973	4,495	187,292	191,804
Total expenses	\$1,130,667	\$128,373	\$405,753	\$1,664,793	\$489,433	\$243,988	\$2,398,214	\$2,482,304

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

**VISUAL ARTS CENTER OF NEW JERSEY
A NEW JERSEY NONPROFIT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

(With comparative totals for the year ended June 30, 2017)

	<u>6/30/18</u>	<u>6/30/17</u>
Cash flows from operating activities:		
Change in net assets	(\$2,014)	(\$12,302)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	187,292	191,804
Gain on sale of investments	(218,465)	(25,135)
Unrealized loss/(gain) on investments	89,990	(192,196)
Changes in assets and liabilities:		
Government grants receivable	(4,601)	2,000
Contributions receivable	(59,994)	188
Prepaid expenses and other assets	16,981	(10,276)
Accounts payable and accrued expenses	24,807	21,143
Deferred tuition	28,118	(65,332)
Total adjustments	<u>64,128</u>	<u>(77,804)</u>
Net cash flows provided by/(used for) operating activities	<u>62,114</u>	<u>(90,106)</u>
Cash flows from investing activities:		
Purchases of investments (including reinvestment of dividends)	(1,403,496)	(372,770)
Proceeds from sales of investments	1,461,532	420,918
Purchases of fixed assets	<u>(19,333)</u>	<u>(30,164)</u>
Net cash flows provided by investing activities	<u>38,703</u>	<u>17,984</u>
Cash flows from financing activities:		
Proceeds from loan	0	45,000
Repayment of loan	0	(5,000)
Repayment of mortgage	<u>(43,554)</u>	<u>(45,692)</u>
Net cash flows used for financing activities	<u>(43,554)</u>	<u>(5,692)</u>
Net increase/(decrease) in cash and cash equivalents	57,263	(77,814)
Cash and cash equivalents - beginning of year	<u>97,628</u>	<u>175,442</u>
Cash and cash equivalents - end of year	<u><u>\$154,891</u></u>	<u><u>\$97,628</u></u>
Supplemental disclosure of cash flow information:		
Total interest paid	<u>\$29,871</u>	<u>\$31,553</u>
Total taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditor's report are an integral part of these financial statements.

**VISUAL ARTS CENTER OF NEW JERSEY
A NEW JERSEY NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1 - Organization

The Visual Arts Center of New Jersey, A New Jersey Nonprofit Corporation (the "Center") nurtures the capacity for personal expression, expands the creative experience and fosters stronger communities by empowering people to see, make and learn about art. Through exhibition, studio school and community programs, the Art Center engenders connection, curiosity and creative risk-taking among its constituents.

The Center was incorporated in the State of New Jersey and has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and similar statutes in New Jersey. They are an organization which has not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Center have been prepared using the accrual basis of accounting which is the process of recording revenue, public support, and expenses when earned or incurred rather than when received or paid.

b. Basis of Presentation

The Center reports information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donors.
- *Permanently restricted* – represents resources restricted by donors that must remain intact in perpetuity.

c. Revenue Recognition

Tuition and fees are recognized as income on the accrual basis in the period the class takes place. There were no outstanding tuition fees at year end.

Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions are considered available for general use unless a donor places a restriction on it, in which case it is recorded

in the temporarily or permanently restricted class of net assets, depending on the nature of the restriction. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

Contributions expected to be received within one year are recorded at net realizable value. Long-term contributions are recorded at fair value using risk adjusted present value techniques. Conditional contributions are recorded as liabilities and are recognized as income when the conditions have been substantially met.

All government grants have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and government grant income recognized is reflected as government grants receivable or government grants advances.

Membership dues are recognized in the period to which they apply. There were no outstanding membership dues as of June 30, 2018.

d. Cash and Cash Equivalents

The Center considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents except for cash held with an investment custodian for long-term purposes.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Center to concentration of credit risk consist of cash accounts and investments. These have all been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. Investments are subject to market fluctuations and principal is not guaranteed. The Center has not sustained any losses due to failure of any financial institution.

f. Investments

Investments are reflected at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities.

g. Allowance for Doubtful Accounts

Management reviews all outstanding receivables at year end for collectability. Based on the age of the receivable, knowledge of the donor/grantor and factoring in historical experience, no allowance was deemed necessary.

h. Fixed Assets

Capital items purchased such as building, improvements, furniture, fixtures and equipment that have a useful life of more than one year and exceed pre-determined amounts, whereby the organization has title to, are capitalized at cost. Routine maintenance and repair costs are charged to expenses.

Depreciation is charged using the straight-line method over the estimated useful life of the asset, as follows:

Building – *40 years*

Building improvements – *15 to 40 years*

Furniture, fixtures and equipment – *3 to 10 years*

i. Accrued Vacation

Based on their tenure, employees are entitled to be paid for unused vacation time if they leave the Center's employment. Accordingly, the financial statements reflect a liability for the amount that would be paid out if employees with unused vacation were to leave. The accrued vacation obligation was \$38,927 and \$48,884 at June 30, 2018 and 2017, respectively.

j. In-kind Contributions

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Board members volunteer their time and perform a variety of tasks for the Center. These services do not meet the criteria for recognition and have not been recognized in the financial statements.

k. Advertising

Advertising costs are expensed as incurred.

l. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

n. Accounting for Uncertainty of Income Taxes

The Center does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2015 and later are subject to examination by applicable taxing authorities.

o. New Accounting Pronouncements

On August 18, 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

FASB also issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Center is in the process of evaluating the impact these standards will have on future financial statements.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 29, 2018, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

Note 3 - Contributions Receivable

Contributions receivable are due as follows:

Year ending:	June 30, 2019	\$150,510
	June 30, 2020	30,000
	June 30, 2021	20,000
	June 30, 2022	<u>10,000</u>
		210,510
Discount (1%)		<u>(3,000)</u>
Total		<u>\$207,510</u>

Note 4 - Investments

Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. That would include data obtained from sources independent of the Center.

The fair value hierarchy is categorized into three levels based on these inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	<u>June 30, 2018</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Government Securities – US Treasury	\$239,709	\$0	\$239,709
Municipal Bonds	388,701	0	388,701
Corporate Bonds	77,915	0	77,915
Equities – U.S.	1,016,860	1,016,860	0
Mutual Funds:			
Stock Fund – 500 index	465,656	465,656	0
Stock Fund – Extended market	240,988	240,988	0
Stock Fund – Emerging market	34,976	34,976	0
Stock Fund – International index	220,521	220,521	0
Stock Fund – Global market	39,038	39,038	0
Bond Fund – Treasury/U.S. bonds	308,701	308,701	0
Exchange Traded Funds	<u>38,724</u>	<u>38,724</u>	<u>0</u>
	3,071,789	2,365,464	706,325
Money funds	<u>59,148</u>	<u>59,148</u>	<u>0</u>
Total	<u>\$3,130,937</u>	<u>\$2,424,612</u>	<u>\$706,325</u>

	<u>June 30, 2017</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Government Securities – US Treasury	\$145,817	\$0	\$145,817
Municipal Bonds	265,073	0	265,073
Corporate Bonds	70,506	0	70,506
Equities – U.S.	2,035,584	2,035,584	0
Equities – Multimarket income trust	3,974	3,974	0
Mutual Funds:			
Stock Fund – 500 index	41,729	41,729	0
Stock Fund – Extended market	38,073	38,073	0
Stock Fund – Emerging market	39,915	39,915	0
Stock Fund – Global market	42,214	42,214	0
Bond Fund – Treasury/U.S. bonds	232,627	232,627	0
Exchange Traded Funds	<u>40,732</u>	<u>40,732</u>	<u>0</u>
	2,956,244	2,474,848	481,396
Money funds	<u>104,254</u>	<u>104,254</u>	<u>0</u>
Total	<u>\$3,060,498</u>	<u>\$2,579,102</u>	<u>\$481,396</u>

Net investment gains consist of:

	<u>6/30/18</u>	<u>6/30/17</u>
Gain on sale of investments	\$218,465	\$25,135
Unrealized (loss)/gain	(89,990)	192,196
Investment fees	<u>(25,805)</u>	<u>(37,840)</u>
Total	<u>\$102,670</u>	<u>\$179,491</u>

Note 5 - Fixed Assets

Fixed assets consist of the following at:

	<u>6/30/18</u>	<u>6/30/17</u>
Land	\$280,336	\$280,336
Building improvements	6,306,496	6,306,496
Furniture, fixtures and equipment	<u>201,926</u>	<u>1,090,826</u>
	6,788,758	7,677,658
Less: accumulated depreciation	<u>(2,540,053)</u>	<u>(3,260,994)</u>
Total fixed assets – net	<u>\$4,248,705</u>	<u>\$4,416,664</u>

Note 6 - Line of Credit

The Center maintains a revolving line of credit agreement with a financial institution whereby it is permitted to borrow a maximum of \$100,000 with an interest rate of U.S. Prime, which was 4.25% at June 30, 2017. The line is due on demand. No principal payments were made during 2018 and 2017 and the outstanding amount is \$60,000 at year-end.

Subsequent to year-end, the Center secured a modification of the credit line whereby the maximum borrowings were increased to \$200,000.

Note 7 - Mortgage Payable

In June 2004, The New Jersey Economic Development Authority (“EDA”) issued \$3,000,000 in revenue bonds for the benefit of the Center. The Center was to use the proceeds for the costs associated with the improvements made to the building located at 68 Elm Street in Summit, New Jersey. The EDA sold the bond proceeds to a bank and the Center entered into a separate mortgage loan agreement with that bank for the full \$3,000,000.

In February 2013, the mortgage loan was refinanced and a fixed rate of 4.18% was negotiated. Monthly payments of principal and interest are required. Any unpaid principal and interest balance is due in full on July 1, 2029. The loan is secured by the property located at 68 Elm Street.

Future principal payments under the loan are as follows:

Year ending:	June 30, 2019	\$49,688
	June 30, 2020	51,805
	June 30, 2021	54,013
	June 30, 2022	56,314
	June 30, 2023	58,714
	Thereafter	<u>411,208</u>
Total		<u>\$681,742</u>

Note 8 - Temporarily Restricted Net Assets

Net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	<u>6/30/18</u>	<u>6/30/17</u>
Programs:		
Senior curatorial position	\$49,000	\$50,000
Power wheels purchase	0	10,000
Other programs	2,891	12,902
Endowment earnings	<u>122,471</u>	<u>61,600</u>
Total program restrictions	174,362	134,502
Time restrictions	<u>50,000</u>	<u>0</u>
Total restrictions	<u>\$224,362</u>	<u>\$134,502</u>

Net assets are temporarily restricted by donors for the following purposes:

	<u>6/30/18</u>	<u>6/30/17</u>
Programs:		
Senior curatorial position	\$50,000	\$99,000
Retirement plan	150,000	0
Other programs	30,074	32,963
Unappropriated earnings on endowment	<u>650,516</u>	<u>570,196</u>
Total program restrictions	880,590	702,159
Time restrictions	<u>0</u>	<u>50,000</u>
Total restrictions	<u>\$880,590</u>	<u>\$752,159</u>

Note 9 - Permanently Restricted Net Assets/Endowments

The Center's endowment includes six specific donor restricted funds to be held indefinitely. The income from these investments must be used in accordance with the specifications of the donor.

The following is a summary of those endowments:

Outreach Endowment	\$75,000
Exhibition Endowment	1,000,000
Marylou Hillyer Endowment	430,626
Scholarship Endowment	150,000
Development Endowment	300,000
Capital Endowment	<u>531,415</u>
Total	<u>\$2,487,041</u>

Interpretation of Relevant Law

The Center follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors of the Center has interpreted UPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Center will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, the Center has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by UPMIFA.

As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, less (d) appropriations in accordance with donor directives.

Absent any specific donor-stipulations, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center.

Spending Policies

The board of directors makes an appropriation annually for each specific endowment to use in operations, and includes it in the annual budget.

In accordance with UPMIFA, the Center considers the following factors in making that determination:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Center
- (7) The investment policies of the Center
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Center.

Changes in endowment net assets were as follows:

	<u>June 30, 2018</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment and reserve fund net assets, beginning of year	\$3,261	\$570,196	\$2,487,041	\$3,060,498
Activities 2018:				
Interest and dividends	0	90,242	0	90,242
Realized gain on investments	0	218,465	0	218,465
Unrealized loss on investments	0	(89,990)	0	(89,990)
Taxes and fees	0	(25,807)	0	(25,807)
Transfers	(9,881)	9,881	0	0
Appropriations for expenditure	<u>0</u>	<u>(122,471)</u>	<u>0</u>	<u>(122,471)</u>
Endowment and reserve fund net assets, end of year	<u>(\$6,620)</u>	<u>\$650,516</u>	<u>\$2,487,041</u>	<u>\$3,130,937</u>

	June 30, 2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment and reserve fund net assets, beginning of year	(\$49,647)	\$398,513	\$2,542,449	\$2,891,315
Activities 2017:				
Interest and dividends	0	90,106	0	90,106
Realized gain on investments	0	25,135	0	25,135
Unrealized gain on investments	0	192,196	0	192,196
Released from restriction*	55,408	0	(55,408)	0
Taxes and fees	0	(37,840)	0	(37,840)
Transfers	(2,500)	(36,314)	0	(38,814)
Appropriations for expenditure	<u>0</u>	<u>(61,600)</u>	<u>0</u>	<u>(61,600)</u>
Endowment and reserve fund net assets, end of year	<u>\$3,261</u>	<u>\$570,196</u>	<u>\$2,487,041</u>	<u>\$3,060,498</u>

*During 2017, a donor modified the original endowment agreement by creating a new agreement to clarify previous ambiguous clauses.

Endowment Investment Policies

The Center has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies

The Center had net borrowings against permanently restricted net assets of approximately \$7,000 at June 30, 2018.

Note 10 - Special Events

The Center hosts multiple fundraising events throughout the year. The special event proceeds are summarized as follows:

	June 30, 2018		
	<u>Spring Gala</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$206,008	\$36,048	\$242,056
Less: expenses with a direct benefit to donor	<u>(24,386)</u>	<u>(9,096)</u>	<u>(33,482)</u>
	181,622	26,952	208,574
Less: other event expenses	<u>(9,010)</u>	<u>(6,690)</u>	<u>(15,700)</u>
Total	<u>\$172,612</u>	<u>\$20,262</u>	<u>\$192,874</u>

June 30, 2017

	Spring <u>Gala</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$173,447	\$7,810	\$181,257
Less: expenses with a direct benefit to donor	<u>(23,039)</u>	<u>(2,370)</u>	<u>(25,409)</u>
	150,408	5,440	155,848
Less: other event expenses	<u>(23,736)</u>	<u>(4,496)</u>	<u>(28,232)</u>
Total	<u>\$126,672</u>	<u>\$944</u>	<u>\$127,616</u>

Note 11 - Retirement Plan

The Center maintains a tax deferred 403(b)(7) retirement plan on behalf of participating employees. All employees with three months of service may participate by designating a percentage of their salaries, subject to regulatory limits, to the plan on a pre-tax basis. The Center provides up to a 2.5% match on employee deferrals. During the year ended June 30, 2018, and 2017 the Center made contributions to the plan that totaled \$11,736 and \$12,463, respectively.

The Center is currently working with outside legal counsel to modify their retirement plan document.

Note 12 - Contingencies

Government grants are subject to audit by various governmental agencies. Management is of the opinion that expense adjustments, if any, resulting from governmental agency audits, will not be material. Disallowances and adjustments, if any, resulting from such audits will be reflected in the financial statements in the year of settlement. As such, no reserves have been recorded.