
VISUAL ARTS CENTER OF NEW JERSEY

Financial Statements

For the year ended June 30, 2024

VISUAL ARTS CENTER OF NEW JERSEY
Financial Statements
June 30, 2024

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Visual Arts Center of New Jersey, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of the Center as of and for the year ended June 30, 2023, were audited by other auditors whose report dated November 13, 2023, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects with the audited financial statements for which it was derived.

NChing LLP

New York, New York
November 18, 2024

VISUAL ARTS CENTER OF NEW JERSEY, INC.**Statement of Financial Position**

As of June 30, 2024

(With comparative totals at June 30, 2023)

	2024	2023*
<u>Assets</u>		
Cash and cash equivalents	\$ 2,205,964	\$ 2,107,800
Government grants	81,304	73,257
Accounts receivable	37,150	-
Contributions receivable	50,000	201,000
Prepaid expenses and other assets	65,350	56,008
Cash - donor restricted	1,004,804	1,008,264
Interest rate swap agreement	175,833	182,156
Fixed assets, net	3,792,023	3,722,021
Investments restricted for endowment	5,167,496	4,627,304
	<u>12,579,924</u>	<u>11,977,810</u>
Total assets	<u>\$ 12,579,924</u>	<u>\$ 11,977,810</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 125,025	\$ 187,385
Deferred tuition and other revenue	611,996	552,886
Mortgage payable	1,230,956	1,266,460
	<u>1,967,977</u>	<u>2,006,731</u>
Total liabilities	<u>1,967,977</u>	<u>2,006,731</u>
<u>Net assets</u>		
Without donor restrictions	4,810,367	4,533,787
With donor restrictions	5,801,580	5,437,292
	<u>10,611,947</u>	<u>9,971,079</u>
Total net assets	<u>10,611,947</u>	<u>9,971,079</u>
Total liabilities and net assets	<u>\$ 12,579,924</u>	<u>\$ 11,977,810</u>

**Reclassified for comparative purposes*

The accompanying notes are an integral part of these financial statements.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Statement of Activities

For the year ended June 30, 2024

(With comparative totals for the year ended June 30, 2023)

	With Donor Restrictions				Total 2024	Total 2023
	Without Donor Restrictions	Donor Restricted Programs	Donor Restricted Endowment	Total With Donor Restrictions		
Public support and revenue						
Tuition	\$ 1,742,561	\$ -	\$ -	\$ -	\$ 1,742,561	\$ 1,685,863
Contributions	87,975	533,373	-	533,373	621,348	1,471,051
Government grants	153,976	20,000	-	20,000	173,976	188,560
Special events (net of expenses with a direct benefit to donor)	290,989	-	-	-	290,989	315,555
Membership dues	52,352	-	-	-	52,352	58,198
Fee for service income	53,590	-	-	-	53,590	52,885
Interest and dividends	100,946	-	98,660	98,660	199,606	153,256
Miscellaneous income	2,129	-	-	-	2,129	1,215
Sub-total	2,484,518	553,373	98,660	652,033	3,136,551	3,926,583
Net assets released from restrictions	580,477	(416,856)	(163,621)	(580,477)	-	-
Total public support and revenue	3,064,995	136,517	(64,961)	71,556	3,136,551	3,926,583
Expenses						
Program services						
Studio School	1,387,024	-	-	-	1,387,024	1,343,016
Community Programs	232,348	-	-	-	232,348	189,327
Museum Exhibitions	435,210	-	-	-	435,210	433,341
Total program services	2,054,582	-	-	-	2,054,582	1,965,684
Supporting services						
Management and general	557,733	-	-	-	557,733	486,349
Fundraising	262,823	-	-	-	262,823	240,066
Total supporting services	820,556	-	-	-	820,556	726,415
Total expenses	2,875,138	-	-	-	2,875,138	2,692,099
Change in net assets from operating activities	189,857	136,517	(64,961)	71,556	261,413	1,234,484
Non-operating activities						
Loss on swap agreement	(6,323)	-	-	-	(6,323)	50,678
Net investment gains	93,046	-	292,732	292,732	385,778	238,813
Total non-operating activities	86,723	-	292,732	292,732	379,455	289,491
Change in net assets	276,580	136,517	227,771	364,288	640,868	1,523,975
Net assets - beginning of year	4,533,787	1,697,682	3,739,610	5,437,292	9,971,079	8,447,104
Net assets - end of year	\$ 4,810,367	\$ 1,834,199	\$ 3,967,381	\$ 5,801,580	\$ 10,611,947	\$ 9,971,079

The accompanying notes are an integral part of these financial statements.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Statement of Functional Expenses

For the year ended June 30, 2024

(With comparative totals for the year ended June 30, 2023)

	<u>Program services</u>				<u>Supporting services</u>			<u>Total 2024</u>	<u>Total 2023</u>
	<u>Studio School</u>	<u>Community Programs</u>	<u>Museum Exhibitions</u>	<u>Total</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>		
Salaries	\$ 868,893	\$ 169,566	\$ 148,468	\$ 1,186,927	\$ 246,612	\$ 159,283	\$ 405,895	\$ 1,592,822	\$ 1,518,022
Payroll taxes and employee benefits	132,249	17,517	52,934	202,700	65,019	17,649	82,668	285,368	269,106
Professional fees	-	18,460	21,622	40,082	75,032	44,930	119,962	160,044	103,661
Facility and grounds	15,586	1,053	10,869	27,508	5,778	354	6,132	33,640	37,133
Supplies and materials	96,460	10,892	16,784	124,136	12,769	84,255	97,024	221,160	194,561
Office equipment	54,823	1,652	17,046	73,521	9,062	554	9,616	83,137	74,476
Symposium and honoraria	-	-	26,170	26,170	-	-	-	26,170	19,440
Postage and shipping	6,460	436	13,639	20,535	2,395	147	2,542	23,077	13,780
Utilities	28,003	1,891	19,528	49,422	10,388	634	11,022	60,444	64,696
Insurance	25,510	1,723	20,405	47,638	9,460	578	10,038	57,676	47,871
Marketing and advertising	-	-	-	-	18,878	-	18,878	18,878	26,338
Bank charges and administrative fees	59,248	-	145	59,393	703	3,186	3,889	63,282	68,831
Travel and entertainment	6,380	1,791	4,449	12,620	2,367	145	2,512	15,132	9,098
Printing	1,578	107	15,742	17,427	12,303	4,330	16,633	34,060	30,150
Interest expense	-	-	-	-	48,740	-	48,740	48,740	50,118
Miscellaneous	2,172	1,202	4,879	8,253	4,981	197	5,178	13,431	15,919
Depreciation	89,662	6,058	62,530	158,250	33,246	2,033	35,279	193,529	189,177
Total expenses	1,387,024	232,348	435,210	2,054,582	557,733	318,275	876,008	2,930,590	2,732,377
Less: cost of direct benefit to donors	-	-	-	-	-	(55,452)	(55,452)	(55,452)	(40,278)
Total expenses for statement of activities	\$ 1,387,024	\$ 232,348	\$ 435,210	\$ 2,054,582	\$ 557,733	\$ 262,823	\$ 820,556	\$ 2,875,138	\$ 2,692,099

The accompanying notes are an integral part of these financial statements.

VISUAL ARTS CENTER OF NEW JERSEY, INC.
Statement of Cash Flows
For the year ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 640,868	\$ 1,523,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	193,529	189,177
Loss on swap agreement	6,323	(50,678)
Realized and unrealized gain on investments	(415,031)	(264,465)
Changes in assets and liabilities:		-
Government grants	(8,047)	(25,140)
Accounts receivable	(37,150)	
Contributions receivable	151,000	81,151
Prepaid expenses and other assets	(9,342)	(11,578)
Accounts payable and accrued expenses	(62,360)	19,427
Deferred tuition and other revenue	59,110	9,180
Cash flows provided by operating activities	518,900	1,471,049
Cash flows from investing activities		
Purchases of investments (including reinvestment of investment income)	(1,010,233)	(1,545,701)
Proceeds from sale of investments	885,072	731,683
Purchases of fixed assets	(263,531)	(254,853)
Cash flows used for investing activities	(388,692)	(1,068,871)
Cash flows from financing activities		
Repayment of mortgage	(35,504)	(34,274)
Cash flows used for financing activities	(35,504)	(34,274)
Net change in cash, cash equivalents and restricted cash	94,704	367,904
Cash, cash equivalents and restricted cash, beginning of year	3,116,064	2,748,160
Cash, cash equivalents and restricted cash, end of year	\$ 3,210,768	\$ 3,116,064
Reconciliation to statement of financial position		
Cash and cash equivalents	\$ 2,205,964	\$ 2,107,800
Cash restricted for donor restricted purposes	1,004,804	1,008,264
Total cash, cash equivalents, and restricted cash	\$ 3,210,768	\$ 3,116,064
Supplemental information		
Interest paid	\$ 48,740	\$ 50,118
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 1 Organization

The Visual Arts Center of New Jersey, Inc. (the “Center”), a New Jersey Nonprofit Corporation 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 museum exhibitions, studio school and community programs, the Center engenders connection, curiosity and creative risk-taking among its constituents. The Center’s primary sources of revenue are tuition and contributions.

The Center’s museum exhibitions, viewed by 30,000+ visitors each year, feature artistically and culturally diverse works by nationally and internationally recognized contemporary artists. Through our Studio School, we offer 450+ classes, workshops, and camps serving 5,400+ children, teens, and adults annually. Our community programs serve over 1,100 people and are focused in two areas: 1) K-12 educational programs serving general and English language learners and 2) art-in-health programs serving youth and adults including veterans, the elderly, and people with disabilities.

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

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

Recently adopted accounting pronouncement. On July 1, 2023, the Center adopted Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) 2016-13, Financial Instruments - Credit Losses (Topic 326). Financial assets, which potentially subject the Center to credit losses, consist of receivables from tuition and fee for service. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

Based on the analysis performed on the open accounts receivable aging and detail analysis of the customers, the Center did not record an allowance for bad debt as of June 30, 2024. The impact of the adoption was not considered material to the financial statements and primarily results in new/enhanced disclosures only.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

Basis of presentation. The Center reports information regarding its financial position and activities according to specific classes of net assets as follows:

Net Assets Without Donor Restrictions – accounts for activity without donor-imposed restrictions. During 2019, the Board of Directors of the Center established a board designated operating reserve fund to ensure long-term stability of the mission, programs, and ongoing operations of the Center. The reserve is intended to provide an internal source of funds for situations such as a sudden unexpected increase in expenses, unanticipated loss in funding, or uninsured losses. The board of directors is required to approve any requests for the use of the funds and authorize any transfers from the fund in excess of finance committee approval limits. The target minimum operating reserve is equal to three months of average operating costs that excludes depreciation, in-kind, and other non-cash expenses and capital purchases. The amounts will continue to be funded with further donations and surplus unrestricted operating funds until the target minimum has been reached. The board designated operating fund was \$361,383 at June 30, 2024. During 1998, the Board of Directors of the Center established a board designated working capital fund (“WCF”) for temporary relief of short-term operating cash short-falls caused by normal timing differences in the receipt and disbursement of budgeted operating money flows. If the WCF is deemed no longer necessary by a $\frac{3}{4}$ majority vote of the board, the funds may be transferred to the board designated endowment. During the year ended June 30, 2024, the board approved a \$200,000 transfer to the board designated endowment, resulting in a \$0 balance in the WCF at June 30, 2024.

Net Assets With Donor Restrictions – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

Revenue recognition. The Center follows the FASB’s Accounting Standards Codification (“ASC”) 958-606 for recognizing revenue from contracts with customers. Tuition and fees for services fall under FASB ASC 606 and have been included in the statement of activities. Each different source of revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

Tuition income is recognized over the period of time the class takes place. For fees for services, the performance obligation is considered to be met when the services are performed. Tuition and fees received in advance of performing services are recorded as deferred income and will be recognized as income in the period earned. The Center offers memberships of various categories that typically last for a term of one year. As tangible benefits are not identifiable, membership income is considered a contribution.

The Center follows FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time they become unconditional in nature. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities. However, when a restriction is met in the period the contribution is received, it is recorded as net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The Center's government grants are primarily unconditional restricted transactions and are considered contributions under FASB ASC 958-605.

Unconditional promises to give are recorded at net realizable value if expected to be received in less than one year, or at fair value using a risk-adjusted discount rate if expected to be received in greater than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Outstanding receivables from contributions and government grants are reviewed on an annual basis and an allowance for doubtful accounts is maintained based on historical trends and past collection data to assess the likelihood of future payments. Based on that review, no allowance for uncollectable receivables is deemed necessary as of June 30, 2024 and 2023. All outstanding receivables are anticipated to be collected within the next fiscal year.

Measure of Operations. The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of ongoing services as well as interest and dividends. Non-operating activities include investment gains and losses and gains or losses on swap agreements.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

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. The Center received a contribution in the amount of \$1,000,000 to be spent over 10 years on vulnerable populations programming. A separate bank account was opened for that purpose and presented as donor restricted cash on the statement of financial position.

Concentration of credit risk. Financial instruments which potentially subject the Center to a 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 and at year end, 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 the failure of any financial institution.

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 less external and direct internal investment expenses are recognized in the statement of activities.

Donated securities are recorded at fair value on the date of the gift and, except as otherwise required by the donor. Contributions are classified as operating activities in the statement of cash flows unless the donor restricts the use of the contributed resources to long-term purposes, in which case those cash receipts are classified as cash flows from financing activities.

Fixed Assets. Capital items purchased such as buildings, improvements, furniture, fixtures, and equipment that have a useful life of more than one year and exceed \$1,000; 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

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

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 \$26,419 and \$42,635 at June 30, 2024 and 2023, respectively.

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 services for the Center. These services do not meet the criteria for recognition and have not been included in the financial statements.

Advertising. Advertising costs are expensed as incurred.

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.

Functional allocation of expenses. 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. Such allocations are determined by management on an equitable basis. Significant expenses are allocated as follows:

Salaries	Time and effort/square footage
Payroll taxes and employee benefits	Time and effort/square footage
Professional fees	Time and effort
Supplies and materials	Square footage
Office equipment	Square footage
Depreciation	Square footage

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, 2021 and later are subject to examination by applicable taxing authorities.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

Summarized comparative information. The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2023, from which the summarized information was derived. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 3 Interest Rate Swap Agreements

Effective February 4, 2021, the Center entered into a swap agreement with the Toronto-Dominion Bank, New York Branch (“TD”) in conjunction with the term loan agreement described in Note 6. Under the terms of the swap agreement, the Center receives a monthly variable rate of interest (1 month LIBOR plus 2.50%) and the Center also pays a monthly fixed rate of interest at 3.853% per annum. Effective April 1, 2023, the swap and loan interest rates will be indexed to the Secured Overnight Finance Rate (“SOFR”), a daily rate compounded in arrears plus a market and regulatory designated credit spread adjustment (“CSA”)

The monthly difference between the fixed and variable rates of interest is exchanged as one net monthly interest payment.

The swap agreement is an economic hedge of the term loan. The Center records the swap at its fair value as of the date of the statement of financial position. Changes in fair value are recognized as unrealized gains or losses on the statement of activities, and net interest payments or receipts are recorded in interest expense.

Details of the interest rate swap agreement are as follows:

- Original notional amount – \$1,350,000
- Variable interest rate – paid monthly by TD: 1 month LIBOR plus 2.50%; effective 4/1/2023 – USD-SOFR CME Term original spread plus 7 bps
- Fixed interest rate – paid monthly by Center: 3.853%
- Maturity date: February 1, 2031

The swap agreements were valued as an asset of \$175,833 and \$182,156 as of June 30, 2024 and 2023, respectively. This value is a level 2 fair value measurement (Note 5).

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 4 Fixed Assets

Fixed assets consist of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 280,336	\$ 280,336
Buildings and improvements	6,860,871	6,634,432
Furniture, fixtures, and equipment	<u>349,491</u>	<u>312,399</u>
	7,490,698	7,227,167
Less accumulated depreciation	<u>(3,698,675)</u>	<u>(3,505,146)</u>
Total fixed assets, net	<u>\$ 3,792,023</u>	<u>\$ 3,722,021</u>

Note 5 Investments and fair value measurements

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. This 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 that are observable, either directly or indirectly.

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

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 5 Investments and fair value measurements – (continued)

The following summarizes the composition of investments:

	2024		
Assets:			
Investments:	Fair Value	Level 1	Level 2
Government Securities – U.S. Treasury	\$ 34,851	\$ -	\$ 34,851.00
Municipal Bonds	298,543	-	298,543
Corporate Bonds	203,122	-	203,122
REIT	22,718	-	22,718
Equities – U.S.	1,443,191	1,443,191	-
Mutual Funds:			
Stock Fund – 500 index	986,170	986,170	-
Stock Fund – Extended market	414,756	414,756	-
Stock Fund – Emerging market	60,306	60,306	-
Stock Fund – International index	316,084	316,084	-
Stock Fund – Global market	37,901	37,901	-
Bond Fund – Treasury/U.S. bonds	981,256	981,256	-
Exchange Traded Funds	40,531	40,531	-
	<u>4,839,429</u>	<u>4,280,195</u>	<u>559,234</u>
Money funds	328,067	328,067	-
Total investments	<u>\$ 5,167,496</u>	<u>\$ 4,608,262</u>	<u>\$ 559,234</u>
Interest-rate swap			<u>\$ 175,833</u>
			2023
Assets:			
Investments:	Fair Value	Level 1	Level 2
Government Securities – U.S. Treasury	\$ 24,306	\$ -	\$ 24,306
Municipal Bonds	456,333	-	456,333
Corporate Bonds	24,810	-	24,810
Equities – U.S.	1,338,610	1,338,610	-
Mutual Funds:			
Stock Fund – 500 index	758,660	758,660	-
Stock Fund – Extended market	364,287	364,287	-
Stock Fund – Emerging market	55,288	55,288	-
Stock Fund – International index	292,669	292,669	-
Stock Fund – Global market	34,044	34,044	-
Bond Fund – Treasury/U.S. bonds	1,012,847	1,012,847	-
Exchange Traded Funds	32,179	32,179	-
	<u>4,394,033</u>	<u>3,888,584</u>	<u>505,449</u>
Money funds	233,271	233,271	-
Total investments	<u>\$ 4,627,304</u>	<u>\$ 4,121,855</u>	<u>\$ 505,449</u>
Interest-rate swap			<u>\$ 182,156</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 5 Investments and fair value measurements – (continued)

A significant portion of the investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. U.S. government obligations and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The interest rate swap agreement is valued using a third party's proprietary discounted cash flow model, which considers past, present, and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreement. This is classified within Level 2.

Net investment gains consist of:

	2024	2023
Realized and unrealized gain	\$ 415,031	\$ 264,465
Investment fees	(29,253)	(25,652)
Total	<u>\$ 385,778</u>	<u>\$ 238,813</u>

Note 6 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. In February 2021, the mortgage loan was refinanced again with a monthly variable rate of interest, which was 3.56% at year-end. Monthly payments of principal and interest are required. Any unpaid principal and interest balance are due in full on February 1, 2031. The loan is secured by the property located at 68 Elm Street.

VISUAL ARTS CENTER OF NEW JERSEY, INC.**Notes to the Financial Statements**

June 30, 2024

Note 6 Mortgage Payable – (continued)

Future principal payments under the loan are as follows:

For the years ending June 30,

2025	\$	37,050
2026		38,524
2027		40,056
2028		41,531
2029		43,301
Thereafter		<u>1,030,494</u>
Total	\$	<u><u>1,230,956</u></u>

The mortgage loan agreement contains covenants, which include a minimum debt service coverage ratio and debt service reserve. At June 30, 2024 and 2023, management believes they are in compliance with these covenants.

Note 7 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 \$500,000 with an interest rate of U.S. Prime, which was 8.25% at June 30, 2024. All accrued and unpaid interest is payable monthly with the unpaid principal due on May 31, 2025. There were no amounts outstanding at June 30, 2024 or 2023. Subsequent to year end the Center renewed line of credit through May 31, 2025.

Note 8 Net Assets with Donor Restrictions

The following summarizes net asset released from restrictions:

	<u>2024</u>	<u>2023</u>
Programs:		
Capital expenditures	\$ 226,349	\$ 239,951
Retirement plan	-	5,243
Vulnerable populations	92,007	-
Other programs	<u>98,500</u>	<u>91,200</u>
Total program restricted	416,856	336,394
Appropriation of endowment fund earnings	<u>163,621</u>	<u>67,710</u>
Total restrictions	<u><u>\$ 580,477</u></u>	<u><u>\$ 404,104</u></u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.**Notes to the Financial Statements**

June 30, 2024

Note 8 Net Assets with Donor Restrictions – (continued)

The following summarizes the nature of net asset with donor restrictions:

	<u>2024</u>	<u>2023</u>
Programs:		
Capital expenditures	\$ 709,825	\$ 478,288
Vulnerable populations	1,004,804	1,046,324
Other programs	119,570	173,070
Total program restricted	<u>1,834,199</u>	<u>1,697,682</u>
Restricted for endowment:		
Endowment funds-corporus	2,812,041	2,812,041
Endowment funds-earnings	1,155,340	927,569
Total restricted for endowment	<u>3,967,381</u>	<u>3,739,610</u>
Total	<u>\$ 5,801,580</u>	<u>\$ 5,437,292</u>

Note 9 Endowment Funds

The Center's endowment includes seven specific donor restricted funds to be held in perpetuity, with some degree of discretion permitted to appropriate principal. 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
Aidekman-Kaye Endowment	25,000
Exhibition Endowment	1,000,000
Marylou Hillyer Endowment	430,626
Scholarship Endowment	150,000
Development Endowment	600,000
Capital Endowment	531,415
Total	<u>\$ 2,812,041</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 9 Endowment Funds – (continued)

During 2022, the Board of Directors of the Center established a board designated endowment earmarked for retention and long-term investment with the intention to grow and provide future security for the Center. The board of directors authorized the finance committee to set and approve a withdrawal of up to 3% from this endowment annually. Changes to the terms of the board designated endowment, withdrawals above the annual rate of 3% or spending of the principal, requires recommendation by the finance committee and approval of the board of directors.

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 indefinitely. 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 net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditures; therefore, they have been classified in the class of net assets with donor restrictions.

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

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 9 Endowment Funds – (continued)

- (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:

	2024				
	Board	Donor Restricted			
	Designated Endowment	Endowment Earnings	Endowment Corpus	Total	Total Endowment
Endowment net assets, beginning of year	\$ 887,694	\$ 927,569	\$ 2,812,041	\$ 3,739,610	\$ 4,627,304
Activities 2024:					
Additions	200,000	-	-	-	200,000
Interest and dividends	19,252	98,660	-	98,660	117,912
Realized and unrealized gain on investments	98,745	316,409	-	316,409	415,154
Taxes and fees	(5,576)	(23,677)	-	(23,677)	(29,253)
Appropriations for expenditure	-	(163,621)	-	(163,621)	(163,621)
Endowment net assets, end of year	<u>\$ 1,200,115</u>	<u>\$ 1,155,340</u>	<u>\$ 2,812,041</u>	<u>\$ 3,967,381</u>	<u>\$ 5,167,496</u>
					2023
	Board	Donor Restricted			
	Designated Endowment	Endowment Earnings	Endowment Corpus	Total	Total Endowment
Endowment net assets, beginning of year	\$ 500,000	\$ 736,780	\$ 2,812,041	\$ 3,548,821	\$ 4,048,821
Activities 2023:					
Additions	300,000	-	-	-	300,000
Interest and dividends	12,442	94,938	-	94,938	107,380
Realized and unrealized gain on investments	78,206	186,259	-	186,259	264,465
Taxes and fees	(2,954)	(22,698)	-	(22,698)	(25,652)
Appropriations for expenditure	-	(67,710)	-	(67,710)	(67,710)
Endowment net assets, end of year	<u>\$ 887,694</u>	<u>\$ 927,569</u>	<u>\$ 2,812,041</u>	<u>\$ 3,739,610</u>	<u>\$ 4,627,304</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.**Notes to the Financial Statements**

June 30, 2024

Note 9 Endowment funds – (continued)*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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2024. At June 30, 2023, the Center had a fund with original gift values of \$150,000 and fair values of \$145,906. This created a short fall of \$4,094. There were no appropriations from this fund during the year.

Note 10 Special events

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

			2024
	Spring Gala	Other	Total
Gross revenue	\$ 334,227	\$ 12,214	\$ 346,441
Less: expenses with a direct benefit to donor	(55,452)	-	(55,452)
	<u>278,775</u>	<u>12,214</u>	<u>290,989</u>
Less: other event expenses	(20,178)	-	(20,178)
Total	<u>\$ 258,597</u>	<u>\$ 12,214</u>	<u>\$ 270,811</u>
			2023
	Spring Gala	Other	Total
Gross revenue	\$ 346,947	\$ 8,886	\$ 355,833
Less: expenses with a direct benefit to donor	(40,278)	-	(40,278)
	<u>306,669</u>	<u>8,886</u>	<u>315,555</u>
Less: other event expenses	(17,924)	-	(17,924)
Total	<u>\$ 288,745</u>	<u>\$ 8,886</u>	<u>\$ 297,631</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2024

Note 11 Retirement Plan

Effective January 1, 2019, the Center maintains a tax deferred 403(b) retirement plan on behalf of participating employees. All eligible employees may participate by designating a percentage of their salaries, subject to regulatory limits, to the plan on a pre-tax basis. The Center may provide a discretionary match on employee deferrals after the employee completes one year of service and is above the age of twenty-one.

During the year ended June 30, 2024 and 2023 the Center made contributions to the plan that totaled \$36,852 and \$29,831, respectively.

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.

Note 13 Liquidity and Availability of Financial Resources

The Center regularly monitors liquidity and strives to maintain cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. The Center attempts to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Center has a contractual line of credit at June 30, 2024 of \$500,000 further described in Note 7. In addition, a board designated operating reserve fund has been internally established by the board to provide an internal source of funds with approval. See Note 2.

As part of its liquidity management, the Center relies on tuition revenue, grants, and contributions to fund its operations.

VISUAL ARTS CENTER OF NEW JERSEY, INC.**Notes to the Financial Statements**

June 30, 2024

Note 13 Liquidity and Availability of Financial Resources – (continued)

The following reflects the Center's financial assets at June 30, 2024 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$ 2,205,964	
Government grants	81,304	
Accounts receivable	37,150	
Contributions receivable	50,000	
Cash - donor restricted	1,004,804	
Investments restricted for endowment	<u>5,167,496</u>	
Total financial assets		\$ 8,546,718
Less amounts not available to be used within one year:		
Donor restricted purpose and endowment	(5,801,580)	
Board designated endowment	(1,200,115)	
Board designated operating reserve fund	<u>(361,383)</u>	
Total amounts not available for general expenditures		(7,363,078)
Amounts appropriated for spending from the endowment funds for 2025		<u>89,500</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 1,273,140</u>

Although board designated assets are not considered available for general expenditure, these funds can be made available if the need were to arise.

Note 14 Subsequent Events

Subsequent events have been evaluated through November 18, 2024, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.