
VISUAL ARTS CENTER OF NEW JERSEY

Financial Statements

June 30, 2025

VISUAL ARTS CENTER OF NEW JERSEY

Financial Statements

June 30, 2025

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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, 2025, 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, 2025, 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 GAAS 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 GAAS, 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

We have previously audited the Center's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects with the audited financial statements for which it was derived.

NChing LLP

New York, New York
November 10, 2025

VISUAL ARTS CENTER OF NEW JERSEY, INC.
Statement of Financial Position
As of June 30, 2025
(With comparative totals at June 30, 2024)

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 907,947	\$ 2,205,964
Investments	898,154	-
Accounts receivable	32,900	37,150
Contributions receivable	7,000	50,000
Government grants receivable	47,180	81,304
Prepaid expenses and other assets	79,413	65,350
Cash - donor restricted	156,354	1,004,804
Investments - donor restricted	892,207	-
Interest rate swap agreement	121,626	175,833
Fixed assets, net	4,437,495	3,792,023
Investments restricted for endowment	5,595,533	5,167,496
	<u> </u>	<u> </u>
Total assets	<u>\$ 13,175,809</u>	<u>\$ 12,579,924</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 172,571	\$ 125,025
Deferred tuition and other revenue	626,639	611,996
Mortgage payable	1,193,906	1,230,956
	<u> </u>	<u> </u>
Total liabilities	<u>1,993,116</u>	<u>1,967,977</u>
<u>Net assets</u>		
Without donor restrictions	5,763,893	4,810,367
With donor restrictions	5,418,800	5,801,580
	<u> </u>	<u> </u>
Total net assets	<u>11,182,693</u>	<u>10,611,947</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 13,175,809</u>	<u>\$ 12,579,924</u>

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, 2025
(With comparative totals for the year ended June 30, 2024)

	With Donor Restrictions					
	Without Donor Restrictions	Donor Restricted Programs	Donor Restricted Endowment	Total With Donor Restrictions	Total 2025	Total 2024*
Public support and revenue						
Tuition	\$ 1,813,170	\$ -	\$ -	\$ -	\$ 1,813,170	\$ 1,742,561
Contributions	172,912	48,011	-	48,011	220,923	582,214
Government grants	341,470	-	-	-	341,470	173,976
Employee Retention Tax Credit	94,514	-	-	-	94,514	-
Special events (net of expenses with a direct benefit to donor)	310,727	-	-	-	310,727	279,532
Membership dues	51,463	-	-	-	51,463	52,352
Fee for service income	34,065	-	-	-	34,065	53,590
Interest and dividends	104,003	44,257	92,848	137,105	241,108	250,094
Miscellaneous income	93	-	-	-	93	2,232
Sub-total	2,922,417	92,268	92,848	185,116	3,107,533	3,136,551
Net assets released from restrictions	909,168	(774,368)	(134,800)	(909,168)	-	-
Total public support and revenue	3,831,585	(682,100)	(41,952)	(724,052)	3,107,533	3,136,551
Expenses						
Program services						
Studio School	1,422,307	-	-	-	1,422,307	1,387,024
Community Programs	240,152	-	-	-	240,152	232,348
Museum Exhibitions	421,940	-	-	-	421,940	435,210
Total program services	2,084,399	-	-	-	2,084,399	2,054,582
Supporting services						
Management and general	587,195	-	-	-	587,195	557,733
Fundraising	250,543	-	-	-	250,543	262,823
Total supporting services	837,738	-	-	-	837,738	820,556
Total expenses	2,922,137	-	-	-	2,922,137	2,875,138
Change in net assets from operating activities	909,448	(682,100)	(41,952)	(724,052)	185,396	261,413
Non-operating activities						
Loss on swap agreement	(54,207)	-	-	-	(54,207)	(6,323)
Net investment gains	98,285	(500)	341,772	341,272	439,557	385,778
Total non-operating activities	44,078	(500)	341,772	341,272	385,350	379,455
Change in net assets	953,526	(682,600)	299,820	(382,780)	570,746	640,868
Net assets - beginning of year	4,810,367	1,834,199	3,967,381	5,801,580	10,611,947	9,971,079
Net assets - end of year	\$ 5,763,893	\$ 1,151,599	\$ 4,267,201	\$ 5,418,800	\$ 11,182,693	\$ 10,611,947

*Reclassified for comparative purposes

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, 2025
(With comparative totals for the year ended June 30, 2024)

	Program services				Supporting services			Total 2025	Total 2024*
	Studio School	Community Programs	Museum Exhibitions	Total	Management and general	Fundraising	Total		
Salaries	\$ 890,567	\$ 174,922	\$ 156,137	\$ 1,221,626	\$ 262,495	\$ 194,199	\$ 456,694	\$ 1,678,320	\$ 1,592,822
Payroll taxes and employee benefits	135,706	19,366	50,060	205,132	56,861	19,053	75,914	281,046	285,368
Professional fees	-	12,515	16,389	28,904	54,325	20,204	74,529	103,433	172,391
Facility and grounds	20,389	1,376	14,219	35,984	7,562	463	8,025	44,009	33,640
Supplies and materials	109,624	16,758	14,122	140,504	5,225	2,826	8,051	148,555	144,775
Office equipment	61,494	1,465	15,124	78,083	8,041	492	8,533	86,616	83,137
Symposium and honoraria	-	2,450	14,967	17,417	-	-	-	17,417	26,170
Postage and shipping	7,464	504	14,366	22,334	2,769	169	2,938	25,272	23,077
Utilities	25,775	1,741	17,975	45,491	9,560	584	10,144	55,635	60,444
Insurance	24,095	1,628	21,015	46,738	8,935	546	9,481	56,219	57,676
Marketing and advertising	-	-	2,113	2,113	20,797	900	21,697	23,810	18,878
Bank charges and administrative fees	43,142	-	-	43,142	22,428	4,166	26,594	69,736	63,282
Travel and entertainment	5,751	838	4,010	10,599	2,133	130	2,263	12,862	22,243
Printing	2,171	147	11,030	13,348	33,854	49	33,903	47,251	34,060
Event expenses	-	-	-	-	-	45,060	45,060	45,060	55,452
Interest expense	-	-	-	-	47,255	-	47,255	47,255	48,740
Miscellaneous	3,096	156	5,533	8,785	10,457	4,653	15,110	23,895	14,906
Depreciation	93,033	6,286	64,880	164,199	34,498	2,109	36,607	200,806	193,529
Total expenses	1,422,307	240,152	421,940	2,084,399	587,195	295,603	882,798	2,967,197	2,930,590
Less: cost of direct benefit to donors	-	-	-	-	-	(45,060)	(45,060)	(45,060)	(55,452)
Total expenses for statement of activities	\$ 1,422,307	\$ 240,152	\$ 421,940	\$ 2,084,399	\$ 587,195	\$ 250,543	\$ 837,738	\$ 2,922,137	\$ 2,875,138

**Reclassified for comparative purposes*

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, 2025
(With comparative totals for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 570,746	\$ 640,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	200,806	193,529
Loss on swap agreement	54,207	6,323
Realized and unrealized gain on investments	(454,413)	(415,031)
Changes in assets and liabilities:		
Accounts receivable	4,250	(37,150)
Contributions receivable	43,000	151,000
Government grants receivable	34,124	(8,047)
Prepaid expenses and other assets	(14,063)	(9,342)
Accounts payable and accrued expenses	47,546	(62,360)
Deferred tuition and other revenue	14,643	59,110
Cash flows provided by operating activities	<u>500,846</u>	<u>518,900</u>
Cash flows from investing activities		
Purchases of investments (including reinvestment of investment income)	(3,741,784)	(1,010,233)
Proceeds from sale of investments	1,977,799	885,072
Purchases of fixed assets	(846,278)	(263,531)
Cash flows used for investing activities	<u>(2,610,263)</u>	<u>(388,692)</u>
Cash flows from financing activities		
Repayment of mortgage	(37,050)	(35,504)
Cash flows used for financing activities	<u>(37,050)</u>	<u>(35,504)</u>
Net change in cash, cash equivalents and restricted cash	(2,146,467)	94,704
Cash, cash equivalents and restricted cash, beginning of year	<u>3,210,768</u>	<u>3,116,064</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,064,301</u>	<u>\$ 3,210,768</u>
Reconciliation to statement of financial position		
Cash and cash equivalents	\$ 907,947	\$ 2,205,964
Cash restricted for donor restricted purposes	156,354	1,004,804
Total cash, cash equivalents, and restricted cash	<u>\$ 1,064,301</u>	<u>\$ 3,210,768</u>
Supplemental information		
Interest paid	<u>\$ 47,255</u>	<u>\$ 48,740</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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, 2025

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.

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 \$371,694 and \$361,383 at June 30, 2025 and 2024, respectively.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 2 Summary of significant accounting policies – (continued)

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 Financial Accounting Standards Board's ("FASB") 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.

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.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 2 Summary of significant accounting policies – (continued)

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, 2025 and 2024. All outstanding receivables are anticipated to be collected within the next fiscal year.

Financial assets, which potentially subject the Center to credit losses, consist primarily 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, 2025 and 2024.

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.

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. During the year ended June 30, 2025, a portion of these funds were transferred to an investment account and presented as donor restricted investments 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.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 2 Summary of significant accounting policies – (continued)

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

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 \$31,915 and \$26,419 at June 30, 2025 and 2024, 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.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 2 Summary of significant accounting policies – (continued)

Functional allocation of expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Expenses are recorded directly to either program, management and general, or fundraising whenever possible. However, certain categories of expenditures are attributable to more than one function and therefore, require allocation on a reasonable basis that is consistently applied. These expenditures are allocated based on management's estimates of time and effort and/or square footage. Salaries and payroll taxes and employee benefits are allocated based on time and effort and square footage. Professional fees are allocated based on time and effort. Facilities and grounds, supplies and materials, office equipment, postage and shipping, utilities, insurance, travel and entertainment, printing, miscellaneous, and depreciation are allocated based on 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, 2022 and later are subject to examination by applicable taxing authorities.

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, 2024, 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 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, 2025

Note 3 Investments and fair value measurements – (continued)

Investments consist of the following:

	<u>2025</u>	<u>2024</u>
Investments	\$ 898,154	\$ -
Investments - donor restricted	892,207	-
Investments restricted for endowment	5,595,533	5,167,496
	<u>\$ 7,385,894</u>	<u>\$ 5,167,496</u>

The following summarizes the composition of investments:

	<u>2025</u>		
Assets:	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments:			
Government Securities – U.S. Treasury	\$ 85,072	\$ 85,072	\$ -
Municipal Bonds	179,792	-	179,792
Corporate Bonds	440,027	-	440,027
REIT	27,436	27,436	-
Equities – U.S.	1,559,797	1,559,797	-
Mutual Funds:			
Stock Fund	2,033,084	2,033,084	-
Bond Fund	1,869,900	1,869,900	-
Balanced Fund	146,412	146,412	-
Alternative Fund	139,696	139,696	-
Exchange Traded Funds	376,352	376,352	-
	<u>6,857,568</u>	<u>6,237,749</u>	<u>619,819</u>
Money funds	528,326	528,326	-
Total investments	<u>\$ 7,385,894</u>	<u>\$ 6,766,075</u>	<u>\$ 619,819</u>
Interest-rate swap			<u>\$ 121,626</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 3 Investments and fair value measurements – (continued)

	2024		
Assets:			
Investments:	Fair Value	Level 1	Level 2
Government Securities – U.S. Treasury	\$ 34,851	\$ 34,851	\$ -
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	1,815,217	1,815,217	-
Bond Fund	981,256	981,256	-
Exchange Traded Funds	40,531	40,531	-
	<u>4,839,429</u>	<u>4,337,764</u>	<u>501,665</u>
Money funds	328,067	328,067	-
Total investments	<u>\$ 5,167,496</u>	<u>\$ 4,665,831</u>	<u>\$ 501,665</u>
Interest-rate swap			<u>\$ 175,833</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. Level 2 securities consist of municipal and corporate bonds and 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. Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

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:

	2025	2024
Realized and unrealized gain	\$ 454,413	\$ 415,031
Investment fees	(14,856)	(29,253)
Total	<u>\$ 439,557</u>	<u>\$ 385,778</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 4 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 \$121,626 and \$175,833 as of June 30, 2025 and 2024, respectively.

Note 5 Fixed assets

Fixed assets consist of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 280,336	\$ 280,336
Buildings and improvements	7,690,239	6,860,871
Furniture, fixtures, and equipment	<u>366,401</u>	<u>349,491</u>
	8,336,976	7,490,698
Less accumulated depreciation	<u>(3,899,481)</u>	<u>(3,698,675)</u>
Total fixed assets, net	<u><u>\$ 4,437,495</u></u>	<u><u>\$ 3,792,023</u></u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

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.

Future principal payments under the loan are as follows:

For the years ending June 30,

2026	\$	38,524
2027		40,056
2028		41,531
2029		43,301
2030		45,023
Thereafter		985,471
Total	\$	<u>1,193,906</u>

The mortgage loan agreement contains covenants, which include a minimum debt service coverage ratio and debt service reserve. At June 30, 2025 and 2024, 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, 2025. All accrued and unpaid interest is payable monthly with the unpaid principal due on May 31, 2026. There were no amounts outstanding at June 30, 2025 or 2024.

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

June 30, 2025

Note 8 Net assets with donor restrictions

The following summarizes net asset released from restrictions:

	<u>2025</u>	<u>2024</u>
Programs:		
Capital expenditures	\$ 679,368	\$ 226,349
Vulnerable populations	-	92,007
Other programs	95,000	98,500
Total program restricted	<u>774,368</u>	<u>416,856</u>
Appropriation of endowment fund earnings	<u>134,800</u>	<u>163,621</u>
Total restrictions	<u>\$ 909,168</u>	<u>\$ 580,477</u>

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

	<u>2025</u>	<u>2024</u>
Programs:		
Capital expenditures	\$ 30,457	\$ 709,825
Vulnerable populations	1,048,561	1,004,804
Other programs	72,581	119,570
Total program restricted	<u>1,151,599</u>	<u>1,834,199</u>
Restricted for endowment:		
Endowment funds-corporus	2,812,041	2,812,041
Endowment funds-earnings	1,455,160	1,155,340
Total restricted for endowment	<u>4,267,201</u>	<u>3,967,381</u>
Total	<u>\$ 5,418,800</u>	<u>\$ 5,801,580</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.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 9 Endowment funds – (continued)

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>

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.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 9 Endowment funds – (continued)

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:

	2025				
	Board Designated Endowment	Donor Restricted			Total Endowment
		Endowment Earnings	Endowment Corpus	Total	
Endowment net assets, beginning of year	\$ 1,200,115	\$ 1,155,340	\$ 2,812,041	\$ 3,967,381	\$ 5,167,496
Activities 2025:					
Interest and dividends	34,262	92,846	-	92,846	127,108
Realized and unrealized gain on investments	100,716	366,594	-	366,594	467,310
Taxes and fees	(6,761)	(24,820)	-	(24,820)	(31,581)
Appropriations for expenditure	-	(134,800)	-	(134,800)	(134,800)
Endowment net assets, end of year	<u>\$ 1,328,332</u>	<u>\$ 1,455,160</u>	<u>\$ 2,812,041</u>	<u>\$ 4,267,201</u>	<u>\$ 5,595,533</u>

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 9 Endowment funds – (continued)

	2024				
	Board Designated Endowment	Donor Restricted			Total
	Endowment	Endowment Earnings	Endowment Corpus	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>

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, 2025 and 2024.

Note 10 Employee retention tax credit

The Center received \$94,514 for the Employee Retention Tax Credit (“ERTC”), which was recognized as revenue in the year ending June 30, 2025. The ERTC was established by the Coronavirus Relief Act issued by Congress during 2020 and allows an employer to obtain fully refundable tax credits through their payroll tax filings for qualified wages paid after March 13, 2020 through September 30, 2021. To be eligible, an employer must incur payroll costs to retain employees and be adversely affected by the COVID-19 pandemic due to having operations suspended by a government order or demonstrating that they had a significant decline in gross receipts.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 11 Special events

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

	2025		
	Spring Gala	Other	Total
Gross revenue	\$ 354,112	\$ 1,675	\$ 355,787
Less: expenses with a direct benefit to donor	(45,060)	-	(45,060)
	309,052	1,675	310,727
Less: other event expenses	(23,790)	-	(23,790)
Total	<u>\$ 285,262</u>	<u>\$ 1,675</u>	<u>\$ 286,937</u>

	2024		
	Spring Gala	Other	Total
Gross revenue	\$ 334,227	\$ 757	\$ 334,984
Less: expenses with a direct benefit to donor	(55,452)	-	(55,452)
	278,775	757	279,532
Less: other event expenses	(20,178)	-	(20,178)
Total	<u>\$ 258,597</u>	<u>\$ 757</u>	<u>\$ 259,354</u>

Note 12 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 years ended June 30, 2025 and 2024 the Center made contributions to the plan that totaled \$29,238 and \$36,852, respectively.

Note 13 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.

VISUAL ARTS CENTER OF NEW JERSEY, INC.

Notes to the Financial Statements

June 30, 2025

Note 14 Government support

A portion of the Center's revenue is derived from government grants and contracts. Changes in governmental priorities, funding levels, or regulations may impact the availability and continuity of such support. Management actively monitors these developments and continues to pursue diversification of revenue sources to mitigate potential reductions in government funding. However, there can be no assurance that future levels of government support will be maintained.

Note 15 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, 2025 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, 2025

Note 15 Liquidity and availability of financial resources – (continued)

The following reflects the Center's financial assets at June 30, 2025 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$	907,947	
Investments		898,154	
Accounts receivable		32,900	
Contributions receivable		7,000	
Government grants receivable		47,180	
Cash - donor restricted		156,354	
Investments - donor restricted		892,207	
Investments restricted for endowment		<u>5,595,533</u>	
Total financial assets			\$ 8,537,275
Less amounts not available to be used within one year:			
Donor restricted purpose and endowment		(5,418,800)	
Board designated endowment		(1,328,332)	
Board designated operating reserve fund		<u>(371,694)</u>	
Total amounts not available for general expenditures			(7,118,826)
Amounts appropriated for spending from the endowment funds for 2026			<u>143,300</u>
Financial assets available to meet cash needs for general expenditures within one year			<u>\$ 1,561,749</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 16 Subsequent events

Subsequent events have been evaluated through November 10, 2025, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.