

POCONO ARTS COUNCIL

SEPTEMBER 30, 2022

**POCONO ARTS COUNCIL
SEPTEMBER 30, 2022**

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WENTZEL and COMPANY, PC

Certified Public Accountant

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Board of Directors of
Pocono Arts Council**

We have reviewed the accompanying financial statements of Pocono Arts Council (a Not-For-Profit Corporation), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Pocono Arts Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Wentzel and Company, PC

**Fleetwood, Pennsylvania
March 21, 2024**

**POCONO ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022**

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 61,289
Investments	<u>439,043</u>
TOTAL CURRENT ASSETS	500,332
PROPERTY AND EQUIPMENT, NET	<u>2,411</u>
TOTAL ASSETS	\$ <u>502,743</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ <u>173</u>
TOTAL CURRENT LIABILITIES	<u>173</u>
TOTAL NON-CURRENT LIABILITIES	<u>0</u>
TOTAL LIABILITIES	<u>173</u>

NET ASSETS:

Without Donor Restrictions	483,820
With Donor Restrictions	<u>18,750</u>
TOTAL NET ASSETS	<u>502,570</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>502,743</u>

See accompanying notes and independent accountant's review report.

**POCONO ARTS COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:			
Grants and Contributions	\$ 16,786	\$ 18,750	\$ 35,536
Government Grants	50,671		50,671
Fundraising Events (net of expenses of \$991)	9,607		9,607
Program Revenue	46,456		46,456
Membership Dues	10,851		10,851
Interest Income	17		17
Investment Return, net	(32,697)		(32,697)
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>25,444</u>	<u>(25,444)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUES	<u>127,135</u>	<u>(6,694)</u>	<u>120,441</u>
 FUNCTIONAL EXPENSES:			
Program Services	54,749		54,749
Management and General	99,695		99,695
Fundraising	<u>3,357</u>		<u>3,357</u>
TOTAL FUNCTIONAL EXPENSES	<u>157,801</u>	<u>0</u>	<u>157,801</u>
 INCREASE/(DECREASE) IN NET ASSETS	(30,666)	(6,694)	(37,360)
 NET ASSETS, BEGINNING OF YEAR	<u>514,486</u>	<u>25,444</u>	<u>539,930</u>
NET ASSETS, END OF YEAR	<u>\$ 483,820</u>	<u>\$ 18,750</u>	<u>\$ 502,570</u>

See accompanying notes and independent accountant's review report.

**POCONO ARTS COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Cash Flows From Operating Activities:

Net Increase (Decrease) in Net Assets \$ (37,360)

**Adjustments to Reconcile Net Increase in Net Assets
to Net Cash Provided (Used) by Operating Activities:**

Depreciation 1,399
 Net Realized and Unrealized (Gains) Losses in Investments 33,071
 Change in Accounts Payable (2,872)

Total Adjustments 31,598

Net Cash Provided (Used) by Operating Activities (5,762)

Cash Flows From Investing Activities:

Loss on Disposal of Property and Equipment 1,424
 Purchases of Property and Equipment (655)
 Proceeds From Sales of Investments 32,190
 Purchases of Investments (2,292)

Net Cash Provided (Used) by Investing Activities 30,667

Cash Flows From Financing Activities:

Payments on Notes Payable (64,900)

Net Cash Provided (Used) by Investing Activities (64,900)

Increase (Decrease) in Cash and Cash Equivalents
for the Year (39,995)

Cash and Cash Equivalents, Beginning of the Year 101,284

Cash and Cash Equivalents, End of the Year \$ 61,289

Supplemental Disclosure:

Cash Paid for Interest Expense \$ 130

See accompanying notes and independent accountant's review report.

**POCONO ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTAL EXPENSES</u>
Salaries	\$ 1,050	\$ 62,460	\$ 1,050	\$ 64,560
Payroll Taxes	95	5,488	95	5,678
Employee Benefits		624		624
Bank Fees	579	274	270	1,123
Conferences and Training		113		113
Depreciation		1,399		1,399
Insurance	318	3,025	318	3,661
Interest Expense		130		130
Loss on Disposal of Assets		1,424		1,424
Marketing	738	394	833	1,965
Membership Fees		75		75
Micro Grants	4,000			4,000
Occupancy	11,195	7,029		18,224
Office Expense	6	8,977	6	8,989
Professional Fees		2,468		2,468
Program Expenses	<u>36,768</u>	<u>5,815</u>	<u>785</u>	<u>43,368</u>
TOTAL EXPENSES	\$ <u>54,749</u>	\$ <u>99,695</u>	\$ <u>3,357</u>	\$ <u>157,801</u>

See accompanying notes and independent accountant's review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

1. ORGANIZATION AND NATURE OF ACTIVITIES

Pocono Arts Council is a non-profit, tax-exempt corporation founded in 1975 in the Commonwealth of Pennsylvania. Pocono Arts Council is located in Stroudsburg, Pennsylvania. Pocono Arts Council serves its members, community, and visitors through arts education and events. As a community organization, Pocono Arts Council provides opportunities for artists and artisans at various stages of their careers and offers venues for the public to interact with the arts and artists.

Pocono Arts Council's activities include workshops and classes, exhibitions throughout the community, fine craft festivals, and studio tours. Each offers benefits to the artist and the onlooker. Pocono Arts Council also distributes art and music scholarship awards to local graduating seniors with plans to study art / music in college.

Pocono Arts Council's vision is to ensure the arts remain a vibrant cornerstone of community life throughout the Pocono region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising Costs

The policy of Pocono Arts Council is to expense all advertising costs at the time they are incurred.

Basis of Accounting

The financial statements of Pocono Arts Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Under ASC No. 958, Pocono Arts Council is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

With donor restrictions – Net assets that are subject to donor-imposed restrictions that will be satisfied by the passage of time or by fulfilling a specific purpose.

See independent accountant's review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash and cash held in checking and money market accounts; however, funds held in money market accounts by external investment managers are reported as investments.

Contributions of Nonfinancial Assets

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt, when reliable estimates of the fair value of such items are available. Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. No amounts have been recognized for the value of contributed nonfinancial assets for the year ended September 30, 2022.

Expense Allocation

Administration and general expenses include those expenses for supporting activities that are not directly identifiable with one or more program or fundraising activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Those expenses include salaries, payroll taxes, insurance, marketing, occupancy, and office expenses. Salaries and payroll taxes are allocated based on estimates of time and effort; insurance, marketing, occupancy, and office expenses are allocated based on estimates of usage.

Fair Value Measurements

Pocono Arts Council adopted the provisions of ASC No. 820, Fair Value Measurements and Disclosures (“ASC 820”). ASC 820 does not require additional fair value measurements, but defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements.

Income Tax Status

Pocono Arts Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization’s tax-exempt purpose would be subject to taxation as unrelated business income. In addition, Pocono Arts Council qualifies for the charitable contribution deduction under section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2).

See independent accountant’s review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Tax Status, continued

ASC No. 740, Income Taxes (“ASC 740”) clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There were no uncertain income tax positions identified that would have a material effect on the financial statements for the year ended September 30, 2022.

Investments

Investments include investments in U.S. and other government securities, corporate obligations and equities, and funds held in money market accounts by external investment managers. Securities are recorded at fair value with both realized and unrealized gains and losses recorded in the statement of activities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Pocono Arts Council’s capitalization policy is to capitalize property and equipment when the cost exceeds \$500. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets as follows:

Office Equipment and Fixtures 5 – 7 years

Revenue Recognition

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

See independent accountant’s review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition, continued

Unconditional contributions are recognized as revenue when the contribution is received. Conditional contributions are recorded as refundable advances until the conditions are substantially met. When the conditions are substantially met, the contribution becomes unconditional and is recognized as revenue. Revenues from contracts or grants with governmental and nongovernmental funding agencies are considered conditional contributions. Conditions are met when services have been provided or as costs are incurred, as appropriate to a specific grant or contract.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Accordingly, actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

At September 30, 2022, cash and cash equivalents consist of:

Demand Deposits	\$	<u>61,289</u>
Total	\$	<u>61,289</u>

4. INVESTMENTS

At September 30, 2022, investments consist of the following:

Cash	\$	145,893
Certificates of Deposit		48,975
Equity Income Funds		108,975
Fixed Income Funds		115,530
Alternatives		<u>19,670</u>
Total	\$	<u>439,043</u>

See independent accountant's review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The below reflects Pocono Arts Council's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end:	
Cash and cash equivalents	\$ 61,289
Investments	<u>439,043</u>
Total financial assets	\$ 500,332
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	<u>(18,750)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>481,582</u>

As part of its liquidity management, Pocono Arts Council has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. Pocono Arts Council sets a goal of having financial assets on hand to meet 60 days of normal operating expenses, which are, on average, around \$26,000. Should an unforeseen liquidity need arise, Pocono Arts Council could also draw upon a \$25,000 available line of credit (as discussed in Note 7).

6. PROPERTY AND EQUIPMENT

Property and Equipment and Accumulated Depreciation as of September 30, 2022 consist of the following:

<u>Item</u>	<u>Carrying Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office Equipment and Fixtures	\$ 11,199	\$ 8,788	\$ 2,411
Total	\$ <u>11,199</u>	\$ <u>8,788</u>	\$ <u>2,411</u>

Depreciation expense for the year was \$1,399.

See independent accountant's review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

7. NOTES PAYABLE

Pocono Arts Council's obligations under notes payable consist of the following:

A revolving line of credit with Essa Bank & Trust in the amount of \$25,000. The loan bears an interest rate of 7.00%. This note is secured by the assets of Pocono Arts Council. There is no outstanding balance on this note at September 30, 2022.

There was no interest expense incurred on the above indebtedness during the current year.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:

Member Workshops and Classes	\$ <u>18,750</u>
Total net assets with donor restrictions	\$ <u>18,750</u>

9. NET ASSETS RELEASED FROM RESTRICTIONS

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

Purposes for which restrictions were accomplished:

Program Operations	\$ <u>25,444</u>
Total restrictions released	\$ <u>25,444</u>

See independent accountant's review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. LEASES

Pocono Arts Council leases its office space under a six-month lease effective August 1, 2022. The lease requires payments of \$1,582.87 per month.

Future minimum obligations under the operating leases are as follows:

<u>Years Ending September 30:</u>	<u>Amount</u>
2023	\$ <u>6,331</u>
Total Future Minimum Lease Payments	\$ <u>6,331</u>

Rent expense on the office lease totaled \$10,090 for the year ended September 30, 2022.

11. PENSION PLAN

Pocono Arts Council sponsors a SEP-IRA for the benefit of all staff who are eligible. Contributions to the plan totaled \$624 for the year ended September 30, 2022.

12. CONCENTRATIONS OF RISK

Sources of Funds

Contributions and grants are received from many individuals, corporations, and foundations. During the current fiscal year one donor represented approximately 70% of grants and contributions and two government agencies represented approximately 91% of total government grants.

13. SUBSEQUENT EVENTS

Evaluation of Subsequent Events

Subsequent events have been evaluated through March 21, 2024. This is the date these financial statements were available to be issued.

In January 2023, subsequent to the financial statement date, Pocono Arts Council moved to a new location in Stroudsburg which it leases under a six-year lease.

See independent accountant's review report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

14. FAIR VALUE MEASUREMENTS

Pocono Arts Council adopted ASC 820 as discussed in Note 2. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based upon management’s assumptions used to measure assets and liabilities at fair value. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table presents information as of September 30, 2022, about the financial assets that are measured at fair value on a recurring basis, according to the valuation techniques used to determine their fair values.

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Other Unobservable Inputs <u>(Level 3)</u>	Total Fair Value
Assets:				
Cash	\$ 145,893	\$ 0	\$ 0	\$ 145,893
Certificates of Deposit	48,975	0	0	48,975
Equity Income Funds	108,975	0	0	108,975
Fixed Income Funds	115,530	0	0	115,530
Alternatives	<u>19,670</u>	<u>0</u>	<u>0</u>	<u>19,670</u>
Total Assets at Fair Value	\$ <u>439,043</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>439,043</u>

See independent accountant’s review report.