

POCONO ARTS COUNCIL

SEPTEMBER 30, 2023

**POCONO ARTS COUNCIL
SEPTEMBER 30, 2023**

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Accountant's Compilation Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6



WENTZEL and COMPANY, PC

Certified Public Accountant

ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of Pocono Arts Council (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, 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 accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Wentzel and Company, PC

**Fleetwood, Pennsylvania
May 28, 2024**

**POCONO ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023**

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$	45,513
Investments		414,699
Operating Lease Right of Use Asset		<u>97,883</u>
TOTAL CURRENT ASSETS		558,095
PROPERTY AND EQUIPMENT, NET		<u>3,403</u>
TOTAL ASSETS	\$	<u><u>561,498</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$	714
Operating Lease Liability		<u>100,133</u>
TOTAL CURRENT LIABILITIES		<u>100,847</u>
TOTAL NON-CURRENT LIABILITIES		<u>0</u>
TOTAL LIABILITIES		<u>100,847</u>
NET ASSETS:		
Without Donor Restrictions		443,721
With Donor Restrictions		<u>16,930</u>
TOTAL NET ASSETS		<u>460,651</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>561,498</u></u>

See accompanying notes and accountant's compilation report.

**POCONO ARTS COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:			
Grants and Contributions	\$ 8,560	\$ 0	\$ 8,560
Government Grants	47,000		47,000
Fundraising Events (net of expenses of \$4,830)	10,031		10,031
Program Revenue	59,286		59,286
Membership Dues	10,743		10,743
Interest Income	20		20
Investment Return, net	15,450		15,450
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>1,820</u>	<u>(1,820)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUES	<u>152,910</u>	<u>(1,820)</u>	<u>151,090</u>
 FUNCTIONAL EXPENSES:			
Program Services	72,600		72,600
Management and General	118,442		118,442
Fundraising	<u>1,967</u>		<u>1,967</u>
TOTAL FUNCTIONAL EXPENSES	<u>193,009</u>	<u>0</u>	<u>193,009</u>
 INCREASE/(DECREASE) IN NET ASSETS	 (40,099)	 (1,820)	 (41,919)
 NET ASSETS, BEGINNING OF YEAR	 <u>483,820</u>	 <u>18,750</u>	 <u>502,570</u>
NET ASSETS, END OF YEAR	<u>\$ 443,721</u>	<u>\$ 16,930</u>	<u>\$ 460,651</u>

See accompanying notes and accountant's compilation report.

**POCONO ARTS COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Cash Flows From Operating Activities:

Net Increase (Decrease) in Net Assets **\$ (41,919)**

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

Depreciation	918
Net Realized and Unrealized (Gains) Losses in Investments	(8,564)
Change in Accounts Payable	541
Operating Lease	<u>2,250</u>

Total Adjustments **(4,855)**

Net Cash Provided (Used) by Operating Activities **(46,774)**

Cash Flows From Investing Activities:

Purchases of Property and Equipment	(1,910)
Proceeds From Sales of Investments	43,306
Purchases of Investments	<u>(10,398)</u>

Net Cash Provided (Used) by Investing Activities **30,998**

**Increase (Decrease) in Cash and Cash Equivalents
for the Year** **(15,776)**

Cash and Cash Equivalents, Beginning of the Year **61,289**

Cash and Cash Equivalents, End of the Year **\$ 45,513**

Supplemental Disclosure:

Cash Paid for Interest Expense **\$ 3,229**

See accompanying notes and accountant's compilation report.

**POCONO ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTAL EXPENSES</u>
Salaries	\$	\$ 73,607	\$	\$ 73,607
Payroll Taxes		7,335		7,335
Bank Fees	705	353	353	1,411
Conferences and Training		1,098		1,098
Depreciation		918		918
Fees		3,893		3,893
Insurance	509	2,299	509	3,317
Interest Expense		3,229		3,229
Marketing	1,086	525	764	2,375
Membership Fees	38	410		448
Occupancy	29,120	10,413		39,533
Office Expense		4,153		4,153
Professional Fees		2,494		2,494
Program Expenses	41,142	7,595	341	49,078
Subscriptions		120		120
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 72,600	\$ 118,442	\$ 1,967	\$ 193,009
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See accompanying notes and accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023.

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 accountant’s compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023.

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.

Leases

Pocono Arts Council determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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

See accountant’s compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02 No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating and financing leases on the statement of financial position. Pocono Arts Council elected to adopt this ASU effective October 1, 2022. The adoption did not have a material impact on the organization's statement of financial position or on the statement of activities.

The organization elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

The organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating and financing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are not recognized on straight-line basis.

The organization elected the practical expedient to not separate lease and non-lease components for office equipment leases.

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. 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.

See accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2023, cash and cash equivalents consist of:

Demand Deposits	\$	<u>45,513</u>
Total	\$	<u>45,513</u>

4. INVESTMENTS

At September 30, 2023, investments consist of the following:

Cash	\$	71,142
Certificates of Deposit		49,489
Equity Income Funds		124,642
Fixed Income Funds		155,021
Alternatives		<u>14,405</u>
Total	\$	<u>414,699</u>

See accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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	\$ 45,513
Investments	<u>414,699</u>
Total financial assets	\$ 460,212
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	<u>(16,930)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>443,282</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, 2023 consist of the following:

<u>Item</u>	<u>Carrying Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office Equipment and Fixtures	\$ <u>13,109</u>	\$ <u>9,706</u>	\$ <u>3,403</u>
Total	\$ <u>13,109</u>	\$ <u>9,706</u>	\$ <u>3,403</u>

Depreciation expense for the year was \$918.

See accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 10.00%. This note is secured by the assets of Pocono Arts Council. There is no outstanding balance on this note at September 30, 2023.

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>16,930</u>
Total net assets with donor restrictions	\$ <u>16,930</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:

Member Workshops and Classes	\$ <u>1,820</u>
Total restrictions released	\$ <u>1,820</u>

See accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. LEASES

The Organization has a six-year operating lease for office space effective January 1, 2023, which replaced the previous short-term lease.

The components of lease expense for the year ended September 30, 2023 were as follows:

Operating lease expense	\$ 15,750
Short-term lease expense	<u>6,181</u>
Total lease expense	\$ <u>21,931</u>

Other information related to leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 13,500
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Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ 110,261
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Weighted average remaining lease term – operating leases 5.25 years

Weighted average discount rate – operating leases 4.25 %

Future minimum lease payments under non-cancellable operating leases with terms greater than one year are listed below as of September 30, 2023:

<u>Years Ending September 30:</u>	
2024	\$ 18,900
2025	20,100
2026	21,300
2027	22,500
2028	23,700
2029	<u>6,000</u>
Total lease payments	112,500
Less imputed interest	<u>(12,367)</u>
Present value of lease liabilities	\$ <u>100,133</u>

See accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

11. CONCENTRATIONS OF RISK

Sources of Funds

Contributions and grants are received from many individuals, corporations, and foundations. During the current fiscal year two government agencies represented approximately 98% of total government grants.

12. SUBSEQUENT EVENTS

Evaluation of Subsequent Events

Subsequent events have been evaluated through May 28, 2024. This is the date these financial statements were available to be issued.

13. 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.

See accountant's compilation report.

**POCONO ARTS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

13. FAIR VALUE MEASUREMENTS, continued

The following table presents information as of September 30, 2023, 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	\$ 71,142	\$ 0	\$ 0	\$ 71,142
Certificates of Deposit	49,489	0	0	49,489
Equity Income Funds	124,642	0	0	124,642
Fixed Income Funds	155,021	0	0	155,021
Alternatives	<u>14,405</u>	<u>0</u>	<u>0</u>	<u>14,405</u>
Total Assets at Fair Value	\$ <u>414,699</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>414,699</u>

See accountant's compilation report.