Fayette County Cultural Trust and Affiliate

Consolidated Financial Statements

Years ended December 31, 2022 and 2021

Fayette County Cultural Trust
and Affiliate

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December 31, 2022 and 2021

OPST & ASSOCIATES, LLC
Certified Public Accountants

Wellington Square, Suite 102
1225 South Main Street
Greensburg, PA 15601

Independent Auditors' Report

To the Board of Directors
Fayette County Cultural Trust and Affiliate
Connellsville, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Fayette County Cultural Trust (a nonprofit organization) and Fayette County Cultural Trust Real Estate Holding Company, an affiliated organization, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective net position of the Organization, as of December 31, 2022 and 2021, and the respective changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fayette County Cultural Trust and Fayette County Cultural Trust Real Estate Holding Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management 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.

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 Organizations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Organizations' 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 Organization'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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statements of functional expenses on pages 17 -18 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Opst & Associates, LLC

August 31, 2023

Fayette County Cultural Trust
and Affiliate

Consolidated Statements of Financial Position

December 31,	2022	2021
Current Assets		
Cash and cash equivalents	$ 663,555	$ 779,573
Pledges receivable (net of allowance for uncollectible pledges of $1,795 for 2022 and 2021)	2,108	474
Prepaid expenses	5,303	5,700
Total Current Assets	670,966	785,747
Property and Equipment		
Land	30,000	30,000
Building	606,404	463,183
Equipment	49,402	49,402
	685,806	542,585
Less: Accumulated depreciation	(147,174)	(131,849)
Property and Equipment - net	538,632	410,736
Other Assets		
Beneficial interest in the assets of the Community Foundation	99,401	120,618
Total Assets	$ 1,308,999	$ 1,317,101
Current Liabilities		
Accounts payable	$ 19,640	$ 1,493
Sales tax payable	-	1,768
Payroll taxes payable	5,089	5,650
Accrued salaries	3,479	3,893
Deferred revenue	3,062	4,874
Total Current Liabilities	31,270	17,678
Net Assets		
Without donor restrictions	706,134	884,659
With donor restrictions	571,595	414,764
Total Net Assets	1,277,729	1,299,423
Total Liabilities and Net Assets	$ 1,308,999	$ 1,317,101

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

Fayette County Cultural Trust
and Affiliate

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31,	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	$ 632	$ 465,000	$ 465,632
Canteen sales	80,081	-	80,081
Contributions	38,775	-	38,775
Sale of property	(35,852)	-	(35,852)
Fundraising income	12,253	-	12,253
Publication sales	5,440	-	5,440
Miscellaneous	7,750	-	7,750
Interest and dividends	1,901	-	1,901
Investment income (loss)	(15,430)	-	(15,430)
Program revenue	775	-	775
Total Support and Revenue	96,325	465,000	561,325
Net assets released from restrictions	308,169	(308,169)	-
Expenses			
Program	462,293	-	462,293
Management and general	119,466	-	119,466
Fundraising	1,260	-	1,260
Total Expenses	583,019	-	583,019
Increase (Decrease) in Net Assets	(178,525)	156,831	(21,694)
Net Assets - Beginning of Year	884,659	414,764	1,299,423
Net Assets - End of Year	$ 706,134	$ 571,595	$ 1,277,729

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

Fayette County Cultural Trust
and Affiliate

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31,	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	$ 6,800	$ 370,000	$ 376,800
Contributions	27,372	-	27,372
Fundraising income	5,045	-	5,045
Canteen sales	52,327	-	52,327
Publication sales	5,485	-	5,485
Advertising income	2,000	-	2,000
Program revenue	75	-	75
Miscellaneous	8,621	-	8,621
Merchandise sales	245	-	245
Interest and dividends	1,547	-	1,547
Investment income	13,820	-	13,820
Paycheck Protection Program grant	31,000	-	31,000
Total Support and Revenue	154,337	370,000	524,337
Net assets released from restrictions	314,001	(314,001)	-
Expenses			
Program	493,694	-	493,694
Management and general	130,639	-	130,639
Fundraising	380	-	380
Total Expenses	624,713	-	624,713
Increase (Decrease) in Net Assets	(156,375)	55,999	(100,376)
Net Assets - Beginning of Year	1,041,034	358,765	1,399,799
Net Assets - End of Year	$ 884,659	$ 414,764	$ 1,299,423

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

Fayette County Cultural Trust
and Affiliate

Consolidated Statements of Cash Flows

For the Years Ended December 31,	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (21,694)	$ (100,376)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	17,230	16,981
Beneficial interest in assets held by Community Foundation	21,217	(9,657)
Gain on sale of building and land	35,852	-
Changes in:		
Pledges receivable	(1,634)	1,496
Prepaid expenses	397	-
Accounts payable	16,379	2,424
Payroll taxes payable	(561)	2,946
Accrued salaries	(414)	3,893
Deferred revenues	(1,812)	1,365
Cash Provided By (Used for) Operating Activities	64,960	(80,928)
Cash Flows from Financing Activities		
Purchase of building	(204,827)	-
Proceeds from sale of building and land	23,849	-
Cash Provided By (Used for) Financing Activities	(180,978)	-
Increase (Decrease) in Cash	(116,018)	(80,928)
Cash and Equivalents - Beginning of Year	779,573	860,501
Cash and Equivalents - End of Year	$ 663,555	$ 779,573

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Fayette County Cultural Trust (the Trust) is a nonprofit organization created in July 2006 as the Connellsville Cultural Trust. Its purpose is to promote and foster cultural growth and awareness in the Fayette County area. The Organization is governed by a Board of Directors. In 2010, the Organization changed its name to the Fayette County Cultural Trust to reflect its expanding mission to the other areas within Fayette County.

During 2014, the Trust established Fayette County Cultural Trust Real Estate Holding Company which is the title-holding company of the Fayette County Cultural Trust. It is organized as an IRS 501(c)(2) exempt corporation for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to the Fayette County Cultural Trust. The Trust pays rent to this company for facility usage.

The consolidated financial statements include accounts of both Organizations and all significant intercompany transactions have been eliminated in consolidation.

Income Tax Status

Fayette County Cultural Trust and Fayette County Cultural Trust Real Estate Holding Company are incorporated under the laws of the Commonwealth of Pennsylvania as voluntary, non-profit corporations and are exempt from income taxes under Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code and similar state laws. These Organizations are required to file information returns with the Internal Revenue Service (IRS). The Organizations' information returns filed for years 2020 and beyond remain subject to examination by the Internal Revenue Service.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Note 1 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Under the provisions of the Guide, net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Trust and changes therein are classified as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Trust. The Trust's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Trust's consider all highly liquid investments with original maturities of less than three months as cash equivalents.

Substantially all of the Organizations' cash and cash equivalents are on deposit in four banks in western Pennsylvania. The bank balances are only insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 and deposits may, from time to time, exceed FDIC insurance limits.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received 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 recorded at cost. Improvements and additions that extend the useful life of an asset are capitalized. When depreciable assets are retired or otherwise disposed, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in other income (expense) for the year. Contributions of donated assets are recorded at their fair values in the period received.

Note 1 - Summary of Significant Accounting Policies (Continued)

Maintenance and repairs that are not considered to extend the useful lives of assets are charged to expense as incurred. When property and equipment are disposed of, the appropriate accounts are relieved of costs, and accumulated depreciation and any resultant gain or loss is reported as a change in net assets.

Depreciation for assets is provided using the straight-line method over their estimated useful lives ranging from 5 - 7 years for equipment and 15 - 39 years for building and improvements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 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-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Organization had no leases that fell under ASC 842.

Subsequent Events

Subsequent events have been evaluated through August 31, 2023, which is the date the financial statements were available to be issued. The Trust is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Note 2 - Concentrations

Revenue

The majority of annual revenues are from contributions in the Connellsville area and from businesses offering grants. Any significant reductions in this support would affect the ability to maintain the Trust’s current service levels.

Note 3 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2022	2021
Subject to expenditure for a specified purpose:		
Arts Education Initiative	$ 205,517	$ 176,250
Downtown Connellsville pledges	3,366	7,916
NPP	260,276	107,711
Endowment fund	99,401	120,618
Subject to passage of time – for periods after December 31	3,035	2,269
	$ 571,595	$ 414,764

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose as of December 31:

	2022	2021
Purpose restrictions accomplished:		
NPP	$ 197,436	$ 116,532
Benedum Rural Arts	82,983	179,906
Trust program support	27,750	17,563
	$ 308,169	$ 314,001

Note 4 - Investments

Beneficial interest in assets held by Community Foundation consists of two funds held by the Community Foundation of Fayette County. The Trust is able to receive annual distributions from these funds based on a payout rate equal to 3% of the balance.

Fayette County Cultural Trust utilizes fair value measurement to record fair value adjustments to beneficial interest in assets held by Community Foundation and to determine fair value disclosures. Beneficial interest in assets held by Community Foundation are recorded at fair value on an annual basis.

The following is a description of the valuation methodology and key inputs used to measure beneficial interest in assets held by Community Foundation recorded at fair value.

Note 4 - Investments (Continued)

Fair Value Measurements

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at December 31, 2022. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

Note 4 - Investments (Continued)

All of the assets held by the Trust at December 31, 2022 are classified as Level 3 investments. The following table sets forth a summary of changes in fair value of the Trust's Level 3 assets for the year ended December 31, 2022.

	2022	2021
Beginning fund balance	$ 120,618	$ 110,961
Administrative and investment fees	(5,787)	(4,163)
Net investment earnings (losses)	(15,430)	13,820
Total Fund Balance	$ 99,401	$ 120,618

Note 5 - Downtown Connellsville Project

In 2008, the Trust developed a "Downtown Connellsville" program, which serves as a "Main Street" style initiative working on the revitalization of the downtown district in Connellsville. This project utilizes the three-point approach with committees focusing on economic vitality & design, organization and promotions & marketing. These contributions received are recognized as restricted revenue (see Note 3).

Note 6 - Deferred Revenues

Deferred revenues represent unearned subscription income. This income is derived from the Connellsville Crossroads magazine published quarterly by Fayette County Cultural Trust. The magazine's goal is to remember the area's past, embrace the present and look forward to the future. Deferred revenue totaled $3,062 at December 31, 2022 and$4,874 at December 31, 2021.

Note 7 - Methods Used for Allocation of Expenses

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest and insurance, which are allocated on a square-footage basis, as well as salaries, wages and employee benefits, which are allocated on the basis of estimates of time and effort.

Note 8 - Paycheck Protection Program Grant

On July 17, 2020, the Trust received a Paycheck Protection Program loan ("PPP") from Key Bank in the amount of $31,000 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, the loan may be forgiven if funds are used for qualifying expenses as described in the CARES Act. The Organization received notification July 21, 2021 that the loan was forgiven.

A second PPP loan was received on May 17, 2021 in the amount of $31,000. Notification was received on December 28, 2021 that the entire loan was forgiven.

Note 9 - Liquidity

The Trust's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	$ 663,555	$ 779,573
Pledges receivable	2,108	474
Prepaid expenses	5,303	5,700
Less those unavailable for general expenditures		
Within one year due to:		
Restricted by donor with time restrictions	(3,035)	(2,269)
Restricted by donor with purpose restrictions	(568,560)	(412,495)
Total	$ 99,371	$ 370,983

The Trust's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

As part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Trust invests cash in excess of daily requirements in short-term investments.

Supplemental Information

Fayette County Cultural Trust
and Affiliate

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program	Management and General	Fundraising	Total
Professional fees	$ 151,310	$ 50,437	$ -	$ 201,747
Salaries and wages	126,450	14,050	-	140,500
Program expenses	103,082	-	-	103,082
Payroll taxes	19,438	2,160	-	21,598
Special events	17,965	1,996	-	19,961
Utilities	10,451	8,551	-	19,002
Depreciation	13,784	3,446	-	17,230
Repairs and maintenance	-	14,181	-	14,181
Printing and reproduction	7,134	3,858	-	10,992
Insurance	7,917	-	-	7,917
Retirement plan expense	-	6,487	-	6,487
Travel	-	5,456	-	5,456
Office expense	213	4,056	-	4,269
Rent	3,420	180	-	3,600
Dues and fees	147	2,784	-	2,931
Marketing	982	1,824	-	2,806
Fundraising	-	-	1,260	1,260
	$ 462,293	$ 119,466	$ 1,260	$ 583,019

See Independent Auditors' Report.

Fayette County Cultural Trust
and Affiliate

Consolidated Statement of Functional Expenses

For the Year Ended December 31,	2021			
	Program	Management and General	Fundraising	Total
Professional fees	$ 204,282	$ 68,094	$ -	$ 272,376
Salaries and wages	113,448	12,605	-	126,053
Program expenses	88,187	-	-	88,187
Payroll taxes	18,667	2,074	-	20,741
Special events	17,344	1,927	-	19,271
Depreciation	13,585	3,396	-	16,981
Utilities	8,191	6,701	-	14,892
Rent	11,400	600	-	12,000
Printing and reproduction	7,134	4,603	-	11,737
Office expense	532	10,104	-	10,636
Insurance	8,660	-	-	8,660
Retirement plan expense	-	6,000	-	6,000
Dues and fees	220	4,184	-	4,404
Travel	-	4,287	-	4,287
Marketing	1,352	2,511	-	3,863
Other expenses	692	2,077	-	2,769
Repairs and maintenance	-	1,476	-	1,476
Fundraising	-	-	380	380
	$ 493,694	$ 130,639	$ 380	$ 624,713

See Independent Auditors' Report.