

Fayette County Cultural Trust

Audited Financial Statements

Year ended December 31, 2013

Fayette County Cultural Trust
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December 31, 2013

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Fayette County Cultural Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayette County Cultural Trust as of December 31, 2013, 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.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Edward P. Opst

November 28, 2014

Fayette County Cultural Trust

Statement of Net Assets

December 31,	2013
Current Assets	
Cash and cash equivalents	\$ 188,480
Pledges receivable (net of allowance for uncollectible pledges of \$2,588)	23,287
Grants receivable	12,500
Accounts receivable	2,600
Prepaid expenses	4,820
Total Current Assets	231,687
Property and Equipment	
Land	30,000
Building	294,132
Equipment	11,468
	335,600
Less: Accumulated depreciation	(5,973)
Property and Equipment - net	329,627
Other Assets	
Beneficial interest in assets held by Community Foundation	12,756
Total Assets	\$ 574,070
Current Liabilities	
Accounts payable	\$ 7,109
Sales tax payable	801
Deferred revenue	2,730
Note payable	200,000
Total Current Liabilities	210,640
Net Assets	
Unrestricted	198,182
Restricted - temporarily	152,492
Restricted - permanently	12,756
Total Net Assets	363,430
Total Liabilities and Net Assets	\$ 574,070

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

Fayette County Cultural Trust

Statement of Activities and Changes in Net Assets

For the Year Ended December 31,

2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 39,155	\$ 54,000	\$ -	\$ 93,155
In-kind contributions	86,240	-	-	86,240
Contributions	47,675	8,836	-	56,511
Consignment sales	26,463	-	-	26,463
Fundraising income	11,352	-	-	11,352
Program revenue	9,282	-	-	9,282
Advertising Income	5,150	-	-	5,150
Merchandise sales	3,889	-	-	3,889
Publication Sales	3,333	-	-	3,333
Investment income	-	-	2,122	2,122
Loss on sale of building	(48,036)	-	-	(48,036)
Miscellaneous	2,534	-	-	2,534
Interest and dividends	22	-	-	22
Total Support and Revenue	<u>187,059</u>	<u>62,836</u>	<u>2,122</u>	<u>252,017</u>
Net assets released from restrictions	<u>43,724</u>	<u>(43,724)</u>	<u>-</u>	<u>-</u>
Expenses				
Program	128,023	-	-	128,023
Management and general	26,218	-	172	26,390
Fund raising	7,903	-	-	7,903
Total Expenses	<u>162,144</u>	<u>-</u>	<u>172</u>	<u>162,316</u>
Increase (Decrease) in Net Assets	68,639	19,112	1,950	89,701
Net Assets - Beginning of Year	<u>129,543</u>	<u>133,380</u>	<u>10,806</u>	<u>273,729</u>
Net Assets - End of Year	<u>\$ 198,182</u>	<u>\$ 152,492</u>	<u>\$ 12,756</u>	<u>\$ 363,430</u>

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

Fayette County Cultural Trust

Statement of Cash Flows

For the Year Ended December 31,

2013

Cash Flows from Operating Activities

Change in net assets	\$ 89,701
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation expense	6,315
Loss on sale of building	48,036
Contributed property	(86,240)
Beneficial interest in assets held by Community Foundation	(1,950)
Changes in	
Pledges receivable	(18,472)
Grants receivable	(12,500)
Accounts receivable	(2,600)
Prepaid expenses	(4,820)
Accounts payable	777
Accrued expenses	79
Deferred revenues	(10,075)

Cash Provided By (Used for) Operating Activities

8,251

Cash Flows from Investing Activities

Purchase of property and equipment	(212,055)
Proceeds from sale of building	60,285

Cash Provided By (Used for) Investing Activities

(151,770)

Cash Flows from Financing Activities

Line of credit - net	<u>200,000</u>
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Increase (Decrease) in Cash

56,481

Cash and Equivalents - Beginning of Year

131,999

Cash and Equivalents - End of Year

\$ 188,480

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

Fayette County Cultural Trust
Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Fayette County Cultural Trust (the Organization) 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.

Income Tax Status

The Organization is incorporated under the laws of the Commonwealth of Pennsylvania as a voluntary, non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state laws. The Organization is required to file information returns with the Internal Revenue Service (IRS). The Organization's information returns filed for years 2011 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.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of support, revenues, expenses, and changes in net assets as net assets released from restrictions.

Restricted grants and contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of less than three months as cash equivalents.

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

Fayette County Cultural Trust
Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Statement of Functional Expenses

The costs of various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Subsequent events have been evaluated through November 28, 2014, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Note 2 - Concentrations

Revenue

The Organization receives a majority of its annual revenues from contributions in the Connellsville area and from businesses offering grants. Any significant reductions in this support would affect the ability of the Organization to maintain current service levels.

Fayette County Cultural Trust
Notes to the Financial Statements

Note 3 - Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted

Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily Restricted

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently with the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had permanently restricted net assets of \$12,756 at December 31, 2013.

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

Cash	
Downtown Connellsville	\$110,710
Laurel Highlands Visitors Bureau	28,140
PNC Foundation	1,142
Grants Receivable	
Laurel Highlands Visitors Bureau	<u>12,500</u>
Total	<u>\$152,492</u>

Note 4 - Note Payable

On September 24, 2012, Fayette County Cultural Trust entered into a non-revolving note with Terrance C. Shallenberger, Jr. in the amount of \$200,000. The note carries no interest rate if paid in full on December 24, 2014. Interest shall accrue at a rate of 5% per annum for any outstanding principal amounts remaining after December 24, 2014. The annual interest rate shall be calculated for the actual days elapsed on the basis of a 365-day year.

Fayette County Cultural Trust
Notes to the Financial Statements

Note 5 - Investments

Beneficial interest in assets held by Community Foundation consists of one fund held by the Community Foundation of Fayette County. The Organization is able to receive annual distributions from the fund based on a payout rate equal to 5% 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 is 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.

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.

Fayette County Cultural Trust
Notes to the Financial Statements

Note 5 - Investments (Continued)

There have been no changes in the methodologies used at December 31, 2013. 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.

All of the assets held by the Organization at December 31, 2013 are classified as Level 3 investments. The following table sets forth a summary of changes in fair value of the Organization's Level 3 assets for the year ended December 31, 2013.

Beginning of year	\$10,806
Administrative and investment fees	(172)
Net investment gain (loss)	<u>2,122</u>
End of year	<u>\$12,756</u>

Note 6 - Downtown Connellsville Project

In 2008, the Organization 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 four point approach with committees focusing on economic restructuring, promotions, organization and design. These contributions received are recognized as temporarily restricted revenue (see Note 3).

Note 7 - 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. At December 31, 2013, deferred revenue totaled \$2,730.

Supplemental Information

Fayette County Cultural Trust

Statement of Functional Expenses

For the Year Ended December 31,

2013

	<u>Program</u>	<u>Manage- ment and General</u>	<u>Fund Raising</u>	<u>Total</u>
Program expenses	\$ 83,407	\$ -	\$ -	\$ 83,407
Event entertaining	10,560	1,173	-	11,733
Printing and reproduction	7,134	3,879	-	11,013
Marketing	3,675	6,824	-	10,499
Utilities	5,205	4,259	-	9,464
Fundraising	-	-	7,903	7,903
Depreciation	5,052	1,263	-	6,315
Rent	5,890	310	-	6,200
Office expense	186	3,535	-	3,721
Uncollectible pledges	2,588	-	-	2,588
Professional fees	1,676	558	-	2,234
Dues and fees	106	2,018	-	2,124
Other expenses	512	1,537	-	2,049
Insurance	2,032	-	-	2,032
Taxes	-	1,034	-	1,034
	<u>\$ 128,023</u>	<u>\$ 26,390</u>	<u>\$ 7,903</u>	<u>\$ 162,316</u>

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