

**Fayette County Cultural Trust
and Affiliate**

Consolidated Financial Statements

Years ended December 31, 2015 and 2014

**Fayette County Cultural Trust
and Affiliate**

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December 31, 2015 and 2014

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OPST & ASSOCIATES, LLC

Certified Public Accountants

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Independent Auditors' Report

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

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, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fayette County Cultural Trust and Fayette County Cultural Trust Real Estate Holding Company as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses on page 14-15 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

July 15, 2016

**Fayette County Cultural Trust
and Affiliate**

Consolidated Statements of Financial Position

December 31,	2015	2014
Current Assets		
Cash and cash equivalents	\$ 362,802	\$ 232,477
Pledges receivable (net of allowance for uncollectible pledges of \$1,795 for 2015 and 2014)	18,004	16,155
Grants receivable	255,875	175,000
Prepaid expenses	<u>6,300</u>	<u>5,385</u>
Total Current Assets	<u>642,981</u>	<u>429,017</u>
Property and Equipment		
Land	30,000	30,000
Building	299,132	299,132
Equipment	<u>47,505</u>	<u>21,907</u>
	376,637	351,039
Less: Accumulated depreciation	<u>(35,389)</u>	<u>(17,517)</u>
Property and Equipment - net	<u>341,248</u>	<u>333,522</u>
Other Assets		
Beneficial interest in assets held by Community Foundation	<u>35,363</u>	<u>13,598</u>
Total Assets	<u><u>\$ 1,019,592</u></u>	<u><u>\$ 776,137</u></u>
Current Liabilities		
Accounts payable	\$ 5,630	\$ 14,960
Sales tax payable	595	814
Payroll taxes payable	3,053	2,991
Deferred revenue	2,608	2,975
Current portion long-term debt	<u>8,474</u>	<u>12,432</u>
Total Current Liabilities	<u>20,360</u>	<u>34,172</u>
Long-term Liabilities		
Long-term debt	<u>83,424</u>	<u>87,568</u>
Net Assets		
Unrestricted	319,656	306,487
Restricted - temporarily	560,789	334,312
Restricted - permanently	<u>35,363</u>	<u>13,598</u>
Total Net Assets	<u>915,808</u>	<u>654,397</u>
Total Liabilities and Net Assets	<u><u>\$ 1,019,592</u></u>	<u><u>\$ 776,137</u></u>

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,

2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 34,860	\$ 418,888	\$ 23,333	\$ 477,081
Contributions	45,313	-	-	45,313
Consignment sales	25,180	-	-	25,180
Fundraising income	18,930	-	-	18,930
Canteen sales	10,891	-	-	10,891
Publication sales	6,077	-	-	6,077
Advertising income	5,950	-	-	5,950
Program revenue	4,047	-	-	4,047
Miscellaneous	7,171	-	-	7,171
Merchandise sales	5,064	-	-	5,064
Investment income/loss	-	-	(1,115)	(1,115)
Interest and dividends	335	-	-	335
	<u>163,818</u>	<u>418,888</u>	<u>22,218</u>	<u>604,924</u>
Total Support and Revenue				
Net assets released from restrictions	<u>192,411</u>	<u>(192,411)</u>	<u>-</u>	<u>-</u>
Expenses				
Program	283,757	-	-	283,757
Management and general	53,320	-	453	53,773
Fundraising	5,983	-	-	5,983
	<u>343,060</u>	<u>-</u>	<u>453</u>	<u>343,513</u>
Total Expenses				
Increase (Decrease) in Net Assets	13,169	226,477	21,765	261,411
Net Assets - Beginning of Year	<u>306,487</u>	<u>334,312</u>	<u>13,598</u>	<u>654,397</u>
Net Assets - End of Year	<u>\$ 319,656</u>	<u>\$ 560,789</u>	<u>\$ 35,363</u>	<u>\$ 915,808</u>

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

**Fayette County Cultural Trust
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Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended December 31,

2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ 28,000	\$ 328,775	\$ -	\$ 356,775
In-kind contributions	50,000	-	-	50,000
Contributions	31,635	-	-	31,635
Consignment sales	26,319	-	-	26,319
Fundraising income	14,688	-	-	14,688
Canteen sales	13,887	-	-	13,887
Program revenue	3,955	-	-	3,955
Advertising income	4,400	-	-	4,400
Merchandise sales	1,459	-	-	1,459
Publication sales	6,338	-	-	6,338
Investment income/loss	-	-	1,031	1,031
Miscellaneous	2,984	-	-	2,984
Interest and dividends	29	-	-	29
Total Support and Revenue	<u>183,694</u>	<u>328,775</u>	<u>1,031</u>	<u>513,500</u>
Net assets released from restrictions	<u>146,955</u>	<u>(146,955)</u>	<u>-</u>	<u>-</u>
Expenses				
Program	176,751	-	-	176,751
Management and general	36,792	-	189	36,981
Fundraising	8,801	-	-	8,801
Total Expenses	<u>222,344</u>	<u>-</u>	<u>189</u>	<u>222,533</u>
Increase (Decrease) in Net Assets	108,305	181,820	842	290,967
Net Assets - Beginning of Year	<u>198,182</u>	<u>152,492</u>	<u>12,756</u>	<u>363,430</u>
Net Assets - End of Year	<u>\$ 306,487</u>	<u>\$ 334,312</u>	<u>\$ 13,598</u>	<u>\$ 654,397</u>

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

**Fayette County Cultural Trust
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Consolidated Statements of Cash Flows

For the Years Ended December 31,	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 261,411	\$ 290,967
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	17,872	11,544
Contributed property	-	(50,000)
Beneficial interest in assets held by Community Foundation	(21,765)	(842)
Changes in		
Pledges receivable	(1,849)	7,132
Grants receivable	(80,875)	(162,500)
Accounts receivable	-	2,600
Prepaid expenses	(915)	(565)
Accounts payable	(9,330)	7,851
Accrued expenses	(219)	13
Payroll taxes payable	62	2,991
Deferred revenues	(367)	245
Cash Provided By (Used for) Operating Activities	<u>164,025</u>	<u>109,436</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(25,598)</u>	<u>(15,439)</u>
Cash Flows from Financing Activities		
Payments on mortgage note payable	<u>(8,102)</u>	<u>(50,000)</u>
Increase (Decrease) in Cash	130,325	43,997
Cash and Equivalents - Beginning of Year	<u>232,477</u>	<u>188,480</u>
Cash and Equivalents - End of Year	<u><u>\$ 362,802</u></u>	<u><u>\$ 232,477</u></u>

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

**Fayette County Cultural Trust
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Notes to the Consolidated 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 2013 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.

**Fayette County Cultural Trust
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Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organizations 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 three 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.

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 July 15, 2016, which is the date the financial statements were available to be issued. The Organizations are not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**Fayette County Cultural Trust
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Notes to the Consolidated 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 of the Organizations to maintain current service levels.

Note 3 - Net Assets

The Organizations report 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 Organizations 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 Organizations had permanently restricted net assets of \$35,363 at December 31, 2015.

Temporarily restricted net assets at December 31, 2015 are available for the following purposes as of December 31:

	<u>2015</u>	<u>2014</u>
Cash		
Allegheny Foundation	\$125,000	\$ -
Downtown Connellsville	91,635	97,392
Claude Worthington Benedum Foundation	35,000	-
Washington Arts (Benedum Foundation)	30,230	-
Washington Arts (Benedum Foundation)	14,473	-
Williams Foundation	7,500	-
Pennsylvania Environmental Council	6,685	-
Neighborhood Assistance Tax Program	234	49,599
Laurel Highlands Visitors Bureau	32	8,526
Three Rivers Community Foundation	-	2,925
Community Foundation of Fayette County	-	870
Grants Receivable		
Neighborhood Assistance Tax Program	200,000	100,000
First Energy Foundation	50,000	75,000
Total	<u>\$560,789</u>	<u>\$334,312</u>

**Fayette County Cultural Trust
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Notes to the Consolidated Financial Statements

Note 4 - Notes 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 carried no interest rate if paid in full on December 24, 2014. During 2014, the Trust paid \$50,000 of the note. Another \$50,000 owed was forgiven by Mr. Shallenberger in December 2014 which was recorded as an in-kind donation during 2014.

A note was obtained by Fayette County Cultural Trust Real Estate Holding Company in December 2014 with The Scottdale Bank and Trust Company for the remaining \$100,000. The notes carries a 4.5% fixed interest rate for ten years or 120 payments. Monthly payments in the amount of \$1,036 began January 2015.

Note 5 - 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 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.

**Fayette County Cultural Trust
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Notes to the Consolidated Financial Statements

Note 5 - Investments (continued)

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, 2015. 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 Trust at December 31, 2015 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, 2015.

Beginning of year	\$13,598
Grants and contributions	23,333
Administrative and investment fees	(453)
Net investment gain (loss)	<u>(1,115)</u>
End of year	<u>\$35,363</u>

Note 6 - 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 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, 2015, deferred revenue totaled \$2,608.

Supplemental Information

**Fayette County Cultural Trust
and Affiliate**

Consolidated Statement of Functional Expenses

For the Year Ended December 31,

2015

	<u>Program</u>	<u>Manage- ment and General</u>	<u>Fund Raising</u>	<u>Total</u>
Program expenses	\$ 116,669	\$ -	\$ -	\$ 116,669
Salaries and wages	64,875	7,208	-	72,083
Special events	24,275	2,697	-	26,972
Professional fees	17,958	5,986	-	23,944
Depreciation	14,298	3,574	-	17,872
Printing and reproduction	7,134	7,328	-	14,462
Marketing	4,966	9,222	-	14,188
Utilities	4,882	3,995	-	8,877
Rent	6,888	362	-	7,250
Payroll taxes	5,621	625	-	6,246
Insurance	6,063	-	-	6,063
Fundraising	-	-	5,983	5,983
Employee benefits	4,500	500	-	5,000
Interest expense	4,339	-	-	4,339
Office expense	198	3,769	-	3,967
Other expenses	927	2,780	-	3,707
Dues and fees	164	3,123	-	3,287
Repairs and maintenance	-	2,604	-	2,604
	<u>\$ 283,757</u>	<u>\$ 53,773</u>	<u>\$ 5,983</u>	<u>\$ 343,513</u>

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

**Fayette County Cultural Trust
and Affiliate**

Consolidated Statement of Functional Expenses

For the Year Ended December 31,

2014

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Program expenses	\$ 100,125	\$ -	\$ -	\$ 100,125
Salaries and wages	17,950	1,994		19,944
Special events	14,986	1,665	-	16,651
Printing and reproduction	7,134	7,001	-	14,135
Depreciation	9,235	2,309	-	11,544
Fundraising	-	-	8,801	8,801
Insurance	8,002	-	-	8,002
Utilities	4,363	3,570	-	7,933
Marketing	2,331	4,328	-	6,659
Rent	5,700	300	-	6,000
Professional fees	4,058	1,352	-	5,410
Dues and fees	237	4,499	-	4,736
Office expense	228	4,334	-	4,562
Taxes	-	2,750	-	2,750
Other expenses	607	1,822	-	2,429
Uncollectible pledges	1,795	-	-	1,795
Repairs and maintenance	-	1,057	-	1,057
	<u>\$ 176,751</u>	<u>\$ 36,981</u>	<u>\$ 8,801</u>	<u>\$ 222,533</u>

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