

Fayette County Cultural Trust
and Affiliate

Consolidated Financial Statements

Years ended December 31, 2018 and 2017

Fayette County Cultural Trust
and Affiliate

Table of Contents

December 31, 2018 and 2017

	<u>Page(s)</u>
Independent Auditors' Report	2 - 3
Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5 - 6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 14
Supplemental Information	
Consolidated Statements of Functional Expenses	16 - 17



OPST & ASSOCIATES, LLC

Certified Public Accountants

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Greensburg, PA 15601

Independent Auditors' Report

To the Board of Directors
Fayette County Cultural Trust and Affiliate
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, 2018 and 2017, 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 auditors consider 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.

Member of American & Pennsylvania Institutes of Certified Public Accountants

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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, 2018 and 2017, 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 statements of functional expenses on pages 16-17 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

May 31, 2019

Fayette County Cultural Trust
and Affiliate

Consolidated Statements of Financial Position

December 31,	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,108,976	\$ 614,574
Pledges receivable (net of allowance for uncollectible pledges of \$1,795 for 2018 and 2017)	16,660	7,178
Grants receivable	205,000	131,357
Prepaid expenses	8,300	8,300
Total Current Assets	1,338,936	761,409
Property and Equipment		
Land	30,000	30,000
Building	401,577	401,577
Equipment	72,359	72,359
	503,936	503,936
Less: Accumulated depreciation	(97,194)	(76,541)
Property and Equipment - net	406,742	427,395
Other Assets		
Beneficial interest in assets held by Community Foundation	69,472	65,719
Total Assets	\$ 1,815,150	\$ 1,254,523
Current Liabilities		
Accounts payable	\$ 10,515	\$ 24,608
Payroll taxes payable	4,224	4,532
Deferred revenue	1,566	3,001
Current portion long-term debt	9,696	9,270
Total Current Liabilities	26,001	41,411
Long-term Liabilities		
Long-term debt, net of current portion	10,595	65,292
Net Assets		
Without donor restrictions	1,029,204	564,529
With donor restrictions	749,350	583,291
Total Net Assets	1,778,554	1,147,820
Total Liabilities and Net Assets	\$ 1,815,150	\$ 1,254,523

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,	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 63,148	\$ 592,702	\$ 655,850
Contributions	426,081	-	426,081
Fundraising income	9,965	-	9,965
Canteen sales	98,068	-	98,068
Publication sales	6,993	-	6,993
Advertising income	1,200	-	1,200
Program revenue	8,147	-	8,147
Miscellaneous	9,881	-	9,881
Merchandise sales	427	-	427
Investment income (loss)	-	(2,661)	(2,661)
Interest and dividends	2,998	-	2,998
Total Support and Revenue	<u>626,908</u>	<u>590,041</u>	<u>1,216,949</u>
Net assets released from restrictions	<u>423,982</u>	<u>(423,982)</u>	<u>-</u>
Expenses			
Program	476,171	-	476,171
Management and general	104,066	-	104,066
Fundraising	5,978	-	5,978
Total Expenses	<u>586,215</u>	<u>-</u>	<u>586,215</u>
Increase (Decrease) in Net Assets	464,675	166,059	630,734
Net Assets - Beginning of Year	<u>564,529</u>	<u>583,291</u>	<u>1,147,820</u>
Net Assets - End of Year	<u>\$ 1,029,204</u>	<u>\$ 749,350</u>	<u>\$ 1,778,554</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,	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 4,323	\$ 507,427	\$ 511,750
Contributions	49,994	-	49,994
Fundraising income	20,134	-	20,134
Miscellaneous	1,665	-	1,665
Program revenue	11,447	-	11,447
Publication sales	5,899	-	5,899
Merchandise sales	3,152	-	3,152
Canteen sales	71,626	-	71,626
Advertising income	4,920	-	4,920
Interest and dividends	596	-	596
Investment income (loss)	-	7,693	7,693
	<u>173,756</u>	<u>515,120</u>	<u>688,876</u>
Total Support and Revenue			
	<u>173,756</u>	<u>515,120</u>	<u>688,876</u>
Net assets released from restrictions	<u>403,194</u>	<u>(403,194)</u>	<u>-</u>
Expenses			
Program	427,326	-	427,326
Management and general	99,854	-	99,854
Fundraising	13,673	-	13,673
	<u>540,853</u>	<u>-</u>	<u>540,853</u>
Total Expenses			
	<u>540,853</u>	<u>-</u>	<u>540,853</u>
Increase (Decrease) in Net Assets	36,097	111,926	148,023
Net Assets - Beginning of Year	<u>528,432</u>	<u>471,365</u>	<u>999,797</u>
Net Assets - End of Year	<u>\$ 564,529</u>	<u>\$ 583,291</u>	<u>\$ 1,147,820</u>

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,	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 630,734	\$ 148,023
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	20,653	20,653
Beneficial interest in assets held by Community Foundation	(3,753)	(6,763)
Changes in:		
Pledges receivable	(9,482)	24
Grants receivable	(73,643)	43,643
Prepaid expenses	-	(748)
Accounts payable	(14,093)	13,604
Payroll taxes payable	(308)	2,339
Deferred revenues	(1,435)	113
Cash Provided By (Used for) Operating Activities	<u>548,673</u>	<u>220,888</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(24,854)</u>
Cash Flows from Financing Activities		
Payments on mortgage note payable	<u>(54,271)</u>	<u>(8,863)</u>
Increase (Decrease) in Cash	494,402	187,171
Cash and Equivalents - Beginning of Year	<u>614,574</u>	<u>427,403</u>
Cash and Equivalents - End of Year	<u><u>\$ 1,108,976</u></u>	<u><u>\$ 614,574</u></u>

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

Fayette County Cultural Trust
and Affiliate

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 2015 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.

Fayette County Cultural Trust
and Affiliate

Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies (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 Organization 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 Organization. The Organization'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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. FCCT has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented

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 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.

Fayette County Cultural Trust
and Affiliate

Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events

Subsequent events have been evaluated through May 31, 2019, 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.

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 with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes for periods as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for a specified purpose:		
Trust program support	\$ 458,218	\$ 379,037
Endowment fund	69,472	65,719
Subject to passage of time – for periods after December 31	<u>221,660</u>	<u>138,535</u>
	<u>\$ 749,350</u>	<u>\$ 583,291</u>

Fayette County Cultural Trust
and Affiliate

Notes to the Consolidated Financial Statements

Note 3 - Net Assets with Donor Restrictions (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose for periods as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Trust program support	\$ 285,447	\$ 220,992
Endowment fund	-	-
Subject to passage of time – for periods after December 31	<u>138,535</u>	<u>182,202</u>
	<u>\$ 423,982</u>	<u>\$ 403,194</u>

Note 4 - Notes Payable

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 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.

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).

Fayette County Cultural Trust
and Affiliate

Notes to the Consolidated Financial Statements

Note 5 - Investments (continued)

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, 2018. 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, 2018 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, 2018.

Beginning of year	\$ 65,719
Grants and contributions	7,500
Administrative and investment fees	(1,086)
Net investment gain (loss)	<u>(2,661)</u>
End of year	<u>\$ 69,472</u>

Fayette County Cultural Trust
and Affiliate

Notes to the Consolidated Financial Statements

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, 2018 and 2017, deferred revenue totaled \$1,566 and \$3,001, respectively.

Note 8 - Methods Used for Allocation of Expenses from Management and General Activities

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 9 - Liquidity

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

Cash and cash equivalents	\$ 1,108,976
Grant receivable	205,000
Prepaid expenses	8,300
Pledges receivable	<u>16,660</u>
	1,338,936
Less those unavailable for general expenditures	
Within one year due to:	
Restricted by donor with time restrictions	(221,660)
Restricted by donor with purpose restrictions	<u>(465,228)</u>
Total	\$ <u>652,048</u>

Fayette County Cultural Trust
and Affiliate

Notes to the Consolidated Financial Statements

Note 9 - Liquidity (Continued)

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 Organization invests cash in excess of daily requirements in short-term investments.

Note 10 - Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations as of December 31, 2017.

Supplemental Information

Fayette County Cultural Trust
and Affiliate

Consolidated Statement of Functional Expenses

For the Year Ended December 31,	2018			
	Program	Management and General	Fundraising	Total
Professional fees	\$ 123,822	\$ 41,274	\$ -	\$ 165,096
Salaries and wages	123,424	13,714	-	137,138
Program expenses	104,519	-	-	104,519
Special events	47,780	5,309	-	53,089
Depreciation	16,522	4,131	-	20,653
Payroll taxes	17,973	1,997	-	19,970
Rent	11,400	600	-	12,000
Insurance	7,723	-	-	7,723
Utilities	7,542	6,171	-	13,713
Printing and reproduction	7,134	8,592	-	15,726
Marketing	4,542	8,434	-	12,976
Interest expense	3,172	-	-	3,172
Dues and fees	349	6,640	-	6,989
Office expense	269	5,106	-	5,375
Fundraising	-	-	5,978	5,978
Repairs and maintenance	-	2,097	-	2,097
Other expenses	-	1	-	1
	<u>\$ 476,171</u>	<u>\$ 104,066</u>	<u>\$ 5,978</u>	<u>\$ 586,215</u>

See Independent Auditor's Report.

Fayette County Cultural Trust
and Affiliate

Consolidated Statement of Functional Expenses

For the Year Ended December 31,	2017			
	Program	Management and General	Fundraising	Total
Professional fees	\$ 131,490	\$ 43,829	\$ -	\$ 175,320
Salaries and wages	106,437	11,826	-	118,263
Program expenses	89,532	-	-	89,532
Special events	35,198	3,911	-	39,109
Depreciation	16,522	4,131	-	20,653
Payroll taxes	12,992	1,444	-	14,436
Insurance	8,032	-	-	8,032
Printing and reproduction	7,134	7,134	-	14,268
Utilities	6,723	5,499	-	12,223
Rent	5,700	300	-	6,000
Interest expense	3,573	-	-	3,573
Marketing	2,242	4,165	-	6,407
Other expenses	1,061	3,184	-	4,245
Office expense	432	8,212	-	8,644
Dues and fees	258	4,900	-	5,158
Fundraising	-	-	13,673	13,673
Repairs and maintenance	-	1,317	-	1,317
	<u>\$ 427,326</u>	<u>\$ 99,852</u>	<u>\$ 13,673</u>	<u>\$ 540,853</u>

See Independent Auditor's Report.