

**Fayette County Cultural Trust
and Affiliate**

Consolidated Financial Statements

Years ended December 31, 2019 and 2018

**Fayette County Cultural Trust
and Affiliate**

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December 31, 2019 and 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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

March 15, 2020

**Fayette County Cultural Trust
and Affiliate**

Consolidated Statements of Financial Position

December 31,	2019	2018
Current Assets		
Cash and cash equivalents	\$ 754,696	\$ 1,108,976
Pledges receivable (net of allowance for uncollectible pledges of \$1,795 for 2019 and 2018)	10,920	7,178
Grants receivable	300,000	214,482
Prepaid expenses	<u>6,497</u>	<u>8,300</u>
Total Current Assets	<u>1,072,113</u>	<u>1,338,936</u>
Property and Equipment		
Land	30,000	30,000
Building	401,577	401,577
Equipment	<u>72,359</u>	<u>72,359</u>
	503,936	503,936
Less: Accumulated depreciation	<u>(119,066)</u>	<u>(97,194)</u>
Property and Equipment - net	<u>384,870</u>	<u>406,742</u>
Total Assets	<u>\$ 1,456,983</u>	<u>\$ 1,745,678</u>
Current Liabilities		
Accounts payable	\$ 7,898	\$ 10,515
Payroll taxes payable	5,213	4,224
Deferred revenue	3,036	1,566
Current portion long-term debt	<u>-</u>	<u>9,696</u>
Total Current Liabilities	<u>16,147</u>	<u>26,001</u>
Long-term Liabilities		
Long-term debt, net of current portion	<u>-</u>	<u>10,595</u>
Net Assets		
Without donor restrictions	1,037,933	1,029,204
With donor restrictions	<u>402,903</u>	<u>679,878</u>
Total Net Assets	<u>1,440,836</u>	<u>1,709,082</u>
Total Liabilities and Net Assets	<u>\$ 1,456,983</u>	<u>\$ 1,745,678</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,

2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 10,450	\$ 446,575	\$ 457,025
Contributions	44,351	-	44,351
Fundraising income	1,920	-	1,920
Canteen sales	93,079	-	93,079
Publication sales	3,069	-	3,069
Advertising income	1,150	-	1,150
Program revenue	9,285	-	9,285
Miscellaneous	6,150	-	6,150
Merchandise sales	120	-	120
Interest and dividends	14,831	-	14,831
Total Support and Revenue	184,405	446,575	630,980
Net assets released from restrictions	723,550	(723,550)	-
Expenses			
Program	766,351	-	766,351
Management and general	132,671	-	132,671
Fundraising	204	-	204
Total Expenses	899,226	-	899,226
Increase (Decrease) in Net Assets	8,729	(276,975)	(268,246)
Net Assets - Beginning of Year	1,029,204	679,878	1,709,082
Net Assets - End of Year	\$ 1,037,933	\$ 402,903	\$ 1,440,836

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,	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 63,148	\$ 590,041	\$ 653,189
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
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 - Restated - Note 8	<u>564,529</u>	<u>513,819</u>	<u>1,078,348</u>
Net Assets - End of Year	<u><u>\$ 1,029,204</u></u>	<u><u>\$ 679,878</u></u>	<u><u>\$ 1,709,082</u></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,	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (268,246)	\$ 630,734
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	21,873	20,653
Changes in:		
Pledges receivable	(3,742)	(9,482)
Grants receivable	(85,518)	(77,396)
Prepaid expenses	1,803	-
Accounts payable	(2,617)	(14,093)
Payroll taxes payable	989	(308)
Deferred revenues	1,469	(1,435)
Cash Provided By (Used for) Operating Activities	<u>(333,989)</u>	<u>548,673</u>
Cash Flows from Financing Activities		
Payments on mortgage note payable	<u>(20,291)</u>	<u>(54,271)</u>
Increase (Decrease) in Cash	(354,280)	494,402
Cash and Equivalents - Beginning of Year	<u>1,108,976</u>	<u>614,574</u>
Cash and Equivalents - End of Year	<u>\$ 754,696</u>	<u>\$ 1,108,976</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 2017 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.

New Accounting Pronouncements

In May 2014, FASB issued Accounting Standard Codification "ASC" Topic 606, Revenue from Contracts with Customers ("ASC 606"). ASC 606 is a comprehensive new revenue recognition model that expands disclosure requirements and requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

Fayette County Cultural Trust and Affiliate

Notes to the Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

The Trust adopted ASC 606 on January 1, 2019 using the modified retrospective method applied to all contracts as of January 1, 2019. Results for reporting periods beginning on or after January 1, 2019 are presented under ASC 606. Prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. However, there was no material change in revenue recognition for the year ended December 31, 2019, and no cumulative adjustment was made to retained earnings.

The majority of the Trust's revenues come from contributions and donations, grants, and fundraising events that are outside the scope of ASC 606.

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.

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.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through March 15, 2020, 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 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 as of December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose:		
Trust program support	\$ 90,188	\$ 458,218
Subject to passage of time – for periods after December 31	<u>312,715</u>	<u>221,660</u>
	<u>\$ 402,903</u>	<u>\$ 679,878</u>

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

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Trust program support	\$ 544,441	\$ 285,447
Subject to passage of time – for periods after December 31	<u>179,109</u>	<u>138,535</u>
	<u>\$ 723,550</u>	<u>\$ 423,982</u>

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

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. The note was paid in full in December 2019.

Note 5 - Agency Endowment Fund

Pursuant to Financial Accounting Standards Board Statement No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, the Trust does not record amounts held by the Community Foundation of Fayette County ("the Foundation") since the Trust granted variance power to the Foundation. Under the agreement between the Trust and the Foundation dated on April 15, 2015, the Trust transferred assets to the Foundation which is holding them as an endowed component fund ("Fund") for the benefit of the Trust. The Board of Trustees of The Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in the sole judgement of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

The activity for the agency endowment fund consisting of the following at June 30:

	<u>2019</u>	<u>2018</u>
Beginning fund balance	\$ 69,472	\$ 65,719
Grants and contributions	20,000	7,500
Administrative and investment fees	(1,065)	(1,086)
Net investment gain (loss)	<u>12,149</u>	<u>(2,661)</u>
Total Fund Balance	\$ <u>100,556</u>	\$ <u>69,472</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 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).

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

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, 2019 and 2018, deferred revenue totaled \$3,036 and \$1,566, 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 - Prior Period Adjustment

The prior year financial statements were restated as a result of the Community Foundation of Fayette County designated funds being shown as an asset on the Trust's balance sheet, and related income and expenses of that asset reported on the Trust's financial statements. Management has reviewed the agreement with the Community Foundation of Fayette County and concluded that since the Community Foundation of Fayette County has variance power of the contributions that were transferred to the Foundation, these designated funds are not shown on the Trust's financial statements.

The following summarizes the prior period adjustment referred to above:

Balance at December 31, 2018, as previously reported	\$1,778,554
Prior period adjustments for designated funds	<u>(69,472)</u>
Balance at December 31, 2018, as restated	<u>\$1,709,082</u>

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

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	\$ 754,696
Grant receivable	300,000
Prepaid expenses	6,497
Pledges receivable	<u>10,920</u>
	1,072,113
Less those unavailable for general expenditures	
Within one year due to:	
Restricted by donor with time restrictions	(312,715)
Restricted by donor with purpose restrictions	<u>(90,188)</u>
Total	\$ <u>669,210</u>

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.

Supplemental Information

**Fayette County Cultural Trust
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Consolidated Statement of Functional Expenses

	2019			
For the Year Ended December 31,	Program	Management and General	Fundraising	Total
Program expenses	\$ 305,935	\$ -	\$ -	\$ 305,935
Professional fees	202,995	67,665	-	270,660
Salaries and wages	139,380	15,487	-	154,867
Special events	46,116	5,124	-	51,240
Depreciation	17,498	4,375	-	21,873
Payroll taxes	18,391	2,043	-	20,434
Utilities	7,905	6,467	-	14,372
Printing and reproduction	7,134	3,858	-	10,992
Rent	8,550	450	-	9,000
Insurance	7,471	-	-	7,471
Other expenses	1,731	5,194	-	6,925
Office expense	322	6,125	-	6,447
Dues and fees	289	5,499	-	5,788
Marketing	1,906	3,540	-	5,446
Travel	-	4,761	-	4,761
Repairs and maintenance	-	2,083	-	2,083
Interest expense	728	-	-	728
Fundraising	-	-	204	204
	<u>\$ 766,351</u>	<u>\$ 132,671</u>	<u>\$ 204</u>	<u>\$ 899,226</u>

See Independent Auditors' Report.

**Fayette County Cultural Trust
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Consolidated Statement of Functional Expenses

For the Year Ended December 31,

2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
Printing and reproduction	7,134	8,592	-	15,726
Utilities	7,542	6,171	-	13,713
Marketing	4,542	8,434	-	12,976
Rent	11,400	600	-	12,000
Insurance	7,723	-	-	7,723
Dues and fees	349	6,640	-	6,989
Fundraising	-	-	5,978	5,978
Office expense	269	5,106	-	5,375
Interest expense	3,172	-	-	3,172
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 Auditors' Report.