

Fayette County Cultural Trust
and Affiliate

Consolidated Financial Statements

Years ended December 31, 2020 and 2019

Fayette County Cultural Trust
and Affiliate

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December 31, 2020 and 2019

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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, 2020 and 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statements of functional expenses on pages 17 -18 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Opst & Associates, LLC

July 15, 2021

Fayette County Cultural Trust
and Affiliate

Consolidated Statements of Financial Position

December 31,	2020	2019
Current Assets		
Cash and cash equivalents	\$ 860,501	\$ 754,696
Pledges receivable (net of allowance for uncollectible pledges of \$1,795 for 2020 and 2019)	1,970	19,893
Grants receivable	-	291,027
Prepaid expenses	5,700	6,497
Total Current Assets	<u>868,171</u>	<u>1,072,113</u>
Property and Equipment		
Land	30,000	30,000
Building	463,183	401,577
Equipment	49,402	72,359
	542,585	503,936
Less: Accumulated depreciation	<u>(114,868)</u>	<u>(119,066)</u>
Property and Equipment - net	<u>427,717</u>	<u>384,870</u>
Total Assets	<u><u>\$ 1,295,888</u></u>	<u><u>\$ 1,456,983</u></u>
Current Liabilities		
Accounts payable	\$ 572	\$ 7,898
Sales tax payable	265	-
Payroll taxes payable	2,704	5,213
Deferred revenue	3,509	3,036
Total Current Liabilities	<u>7,050</u>	<u>16,147</u>
Net Assets		
Without donor restrictions	1,041,034	1,037,933
With donor restrictions	<u>247,804</u>	<u>402,903</u>
Total Net Assets	<u>1,288,838</u>	<u>1,440,836</u>
Total Liabilities and Net Assets	<u><u>\$ 1,295,888</u></u>	<u><u>\$ 1,456,983</u></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,	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 143,653	\$ 250,000	\$ 393,653
Contributions	23,985	-	23,985
Fundraising income	1,095	-	1,095
Canteen sales	15,977	-	15,977
Publication sales	4,651	-	4,651
Advertising income	1,425	-	1,425
Program revenue	2,150	-	2,150
Miscellaneous	6,996	-	6,996
Merchandise sales	70	-	70
Interest and dividends	7,208	-	7,208
Paycheck Protection Program grant	31,000	-	31,000
Economic Injury Disaster Program grant	5,000	-	5,000
Total Support and Revenue	<u>243,210</u>	<u>250,000</u>	<u>493,210</u>
Net assets released from restrictions	<u>405,099</u>	<u>(405,099)</u>	<u>-</u>
Expenses			
Program	527,837	-	527,837
Management and general	117,371	-	117,371
Fundraising	-	-	-
Total Expenses	<u>645,208</u>	<u>-</u>	<u>645,208</u>
Increase (Decrease) in Net Assets	3,101	(155,099)	(151,998)
Net Assets - Beginning of Year	<u>1,037,933</u>	<u>402,903</u>	<u>1,440,836</u>
Net Assets - End of Year	<u>\$ 1,041,034</u>	<u>\$ 247,804</u>	<u>\$ 1,288,838</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,	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
	<u>184,405</u>	<u>446,575</u>	<u>630,980</u>
Total Support and Revenue			
	<u>184,405</u>	<u>446,575</u>	<u>630,980</u>
Net assets released from restrictions	<u>723,550</u>	<u>(723,550)</u>	<u>-</u>
Expenses			
Program	766,351	-	766,351
Management and general	132,671	-	132,671
Fundraising	204	-	204
	<u>899,226</u>	<u>-</u>	<u>899,226</u>
Total Expenses			
	<u>899,226</u>	<u>-</u>	<u>899,226</u>
Increase (Decrease) in Net Assets	8,729	(276,975)	(268,246)
Net Assets - Beginning of Year	<u>1,029,204</u>	<u>679,878</u>	<u>1,709,082</u>
Net Assets - End of Year	<u>\$ 1,037,933</u>	<u>\$ 402,903</u>	<u>\$ 1,440,836</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,	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (151,998)	\$ (268,246)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation expense	18,759	21,873
Changes in:		
Pledges receivable	17,923	(3,742)
Grants receivable	291,027	(85,518)
Prepaid expenses	797	1,803
Accounts payable	(7,061)	(2,617)
Payroll taxes payable	(2,509)	989
Deferred revenues	473	1,469
Cash Provided By (Used for) Operating Activities	<u>167,411</u>	<u>(333,989)</u>
Cash Flows from Financing Activities		
Purchase of building	(61,606)	-
Payments on mortgage note payable	<u>-</u>	<u>(20,291)</u>
Cash Provided By (Used for) Operating Activities	<u>(61,606)</u>	<u>(20,291)</u>
Increase (Decrease) in Cash	105,805	(354,280)
Cash and Equivalents - Beginning of Year	<u>754,696</u>	<u>1,108,976</u>
Cash and Equivalents - End of Year	<u>\$ 860,501</u>	<u>\$ 754,696</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 2018 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
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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 Trust and changes therein are classified as follows:

Net assets without donor restrictions

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

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

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

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

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

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.

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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 July 15, 2021, 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.

The COVID-19 pandemic in the United States has caused business disruption and a reduction in the economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Trust's operations and financial position. Any financial impact to the Trust cannot be reasonably estimated at this time.

Note 2 - Concentrations

Revenue

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

Note 3 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose:		
Public Art initiative	\$ 178,406	\$ 22,736
Downtown Connellsville pledges	16,390	40,350
NPP	49,243	27,102
Subject to passage of time – for periods after December 31	<u>3,765</u>	<u>312,715</u>
	<u>\$ 247,804</u>	<u>\$ 402,903</u>

Fayette County Cultural Trust
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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 as of December 31:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
NPP	\$ 187,268	\$ 256,215
Allegheny Foundation	-	117,347
Benedum Rural Arts	-	102,620
Trust program support	-	68,259
Subject to passage of time – for periods after December 31	<u>217,831</u>	<u>179,109</u>
	<u>\$ 405,099</u>	<u>\$ 723,550</u>

Note 4 - 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 December 31:

	<u>2020</u>	<u>2019</u>
Beginning fund balance	\$ 100,556	\$ 69,472
Grants and contributions	-	20,000
Administrative and investment fees	(1,423)	(1,065)
Net investment gain (loss)	<u>11,829</u>	<u>12,149</u>
Total Fund Balance	<u>\$ 110,961</u>	<u>\$ 100,556</u>

Fayette County Cultural Trust
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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 three-point approach with committees focusing on economic vitality & design, organization and promotions & marketing. These contributions received are recognized as restricted revenue (see Note 3).

Note 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. Deferred revenue totaled \$3,509 at December 31, 2020 and \$3,036 at December 31, 2019.

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 - Paycheck Protection Program Grant

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

The loan, which was in the form of a promissory note dated July 17, 2020, matures on July 17, 2022. Payments are deferred for the first 6 months; interest will continue to accrue at a rate of 1.000% and the first payment will be due January 17, 2022.

Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, the loan may be forgiven if funds are used for qualifying expenses as described in the CARES Act. As of the audit report date, the Trust anticipates that the loan will be forgiven in its entirety, and is therefore classified as grant revenue for the year ended December 31, 2020.

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Notes to the Consolidated Financial Statements

Note 10 - Economic Injury Disaster Grant

In April of 2020, the Trust received an Economic Injury Disaster Loan Advance (EIDL) in the amount of \$5,000. The EIDL program is designed to provide economic relief to business that are currently experiencing a temporary loss of revenue due to COVID-19. The EIDL loan was automatically forgiven and the Trust did not pursue any additional loan monies. Proceeds were used for working capital in accordance with the terms of the Advance.

Note 11 - 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	\$ 860,501
Prepaid expenses	5,700
Pledges receivable	<u>1,970</u>
	868,171
Less those unavailable for general expenditures	
Within one year due to:	
Restricted by donor with time restrictions	(3,765)
Restricted by donor with purpose restrictions	<u>(244,039)</u>
Total	\$ <u>620,367</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 Trust 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

For the Year Ended December 31,	2020			
	Program	Management and General	Fundraising	Total
Professional fees	\$ 184,943	\$ 61,647	\$ -	\$ 246,590
Program expenses	181,086	-	-	181,086
Salaries and wages	91,592	10,177	-	101,769
Rent	11,400	600	-	12,000
Payroll taxes	14,363	1,596	-	15,959
Depreciation	12,610	3,153	-	15,763
Retirement plan expense	-	15,323	-	15,323
Printing and reproduction	7,134	3,829	-	10,963
Utilities	5,875	4,807	-	10,682
Insurance	8,644	-	-	8,644
Special events	7,669	852	-	8,521
Dues and fees	217	4,120	-	4,337
Marketing	1,446	2,686	-	4,132
Office expense	194	3,683	-	3,877
Other expenses	664	1,993	-	2,657
Repairs and maintenance	-	1,456	-	1,456
Travel	-	1,449	-	1,449
	<u>\$ 527,837</u>	<u>\$ 117,371</u>	<u>\$ -</u>	<u>\$ 645,208</u>

See Independent Auditors' Report.

Fayette County Cultural Trust
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Consolidated Statement of Functional Expenses

For the Year Ended December 31,	2019			
	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.