

MONTHAVEN ARTS AND CULTURAL CENTER

(A Not-for-profit Organization)

Financial Statements

With Independent Auditor's Report Thereon

FOR THE YEAR ENDED JUNE 30, 2020





Independent Auditor's Report

To the Board of Directors of
Monthaven Arts and Cultural Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Monthaven Arts and Cultural Center, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Monthaven Arts and Cultural Center as of June 30, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'R. Miller', is written over the printed name 'Miller CPA, PLLC'.

Miller CPA, PLLC
Murfreesboro, Tennessee
November 20, 2020

MONTHAVEN ARTS AND CULTURAL CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash and equivalents	\$	122,783
Grant receivable, net		6,000
Art exhibits		37,775
Property and equipment, net		2,558
Deposits		<u>10,000</u>
TOTAL ASSETS	\$	<u>179,116</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	28,848
Deferred revenue		<u>7,708</u>
TOTAL LIABILITIES		36,556
NET ASSETS		
Net assets without donor restrictions		142,560
Net assets with donor restrictions		<u>-</u>
TOTAL NET ASSETS		<u>142,560</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>179,116</u>

See accompanying notes to financial statements and independent auditor's report.

MONTHAVEN ARTS AND CULTURAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
REVENUE AND OTHER SUPPORT			
Contributions	\$ 50,598	\$ -	\$ 50,598
Grants	160,014	16,200	176,214
Payroll Protection Program and economy disaster recovery loan forgiveness	44,587	-	44,587
Educational programming	70,974	-	70,974
Membership dues	15,944	-	15,944
Facility rental	150	-	150
Fundraising	43,744	-	43,744
Donation of art exhibit	6,475	-	6,475
Total revenue and public support	392,486	16,200	408,686
NET ASSETS RELEASED FROM RESTRICTIONS	16,200	(16,200)	-
	408,686	-	408,686
EXPENSES			
Program services	197,079	-	197,079
Supporting services			
Management and general	62,479	-	62,479
Fundraising	74,646	-	74,646
Total expenses	334,204	-	334,204
CHANGE IN NET ASSETS	74,482	-	74,482
Net Assets at Beginning of Year	68,078	-	68,078
NET ASSETS AT END OF YEAR	\$ 142,560	\$ -	\$ 142,560

See accompanying notes to financial statements and independent auditor's report.

MONTHAVEN ARTS AND CULTURAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

		Supporting Services		
	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses	\$ 109,121	\$ 31,177	\$ 15,589	\$ 155,887
Advertising	8,897	-	8,898	17,795
Bank and credit card fees	1,155	1,540	1,155	3,850
Artists and teachers	56,337	-	-	56,337
Depreciation	-	251	-	251
Event fundraising	-	-	32,464	32,464
Insurance	-	2,949	-	2,949
Miscellaneous	2,666	3,557	2,665	8,888
Office supplies	-	7,079	-	7,079
Professional fees	-	2,366	-	2,366
Rent	4,443	-	-	4,443
Repairs and maintenance	2,319	3,092	2,319	7,730
Postage and delivery	385	513	384	1,282
Printing	-	2,087	2,087	4,174
Program expenses	6,044	-	-	6,044
Telephone and internet	847	1,129	847	2,823
Travel	-	3,373	3,373	6,746
Utilities	2,525	3,366	2,525	8,416
Website	2,340	-	2,340	4,680
Total expenses	<u>\$ 197,079</u>	<u>\$ 62,479</u>	<u>\$ 74,646</u>	<u>\$ 334,204</u>

See accompanying notes to financial statements and independent auditor's report.

MONTHAVEN ARTS AND CULTURAL CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities	
Change in net assets	\$ 74,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donation of art exhibit	(6,475)
Depreciation	251
Decrease in operating assets	
Grant receivable, net	(18)
Decrease (increase) in operating liabilities	
Checks written in excess of deposits	(1,297)
Accounts payable and accrued expenses	(323)
Deferred revenue	<u>7,708</u>
Net cash provided by operating activities	74,328
Cash flows from investing activities	
Deposits	(10,000)
Purchases of property and equipment	<u>(2,809)</u>
Net cash used in investing activities	<u>(12,809)</u>
NET INCREASE IN CASH AND EQUIVALENTS	61,519
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>61,264</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 122,783</u>

See accompanying notes to financial statements and independent auditor's report.

MONTHAVEN ARTS AND CULTURAL CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Monthaven Arts and Cultural Center (the “Center”), is a Tennessee not-for-profit organization, that was formed for the purposes of collecting, preserving and interpreting local and regional art. Since 1998, the Center has maintained facilities to display local and regional art. The Center is governed by a board of directors and is located in Hendersonville, Tennessee. The Center's primary sources of revenue are contributions, admissions, educational programs, and fundraising.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 unrestricted revenue and support and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The Center presents its financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements for Not-for-Profit Organizations*. Accordingly, the Center reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Center.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue within net assets with donor restrictions when received, and such unexpended amounts are reported as net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restrictions”.

Net assets with donor restrictions also consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Center as of June 30, 2020 did not have any net assets required to be held in perpetuity by donor restrictions.

Contributions

Contributions are recognized as revenue when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

**MONTHAVEN ARTS AND CULTURAL CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Center reports gifts of land, buildings, equipment, displays and artifacts as net assets without donor restrictions at the estimated fair value. Gifts of long-lived assets with explicit restrictions are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service as instructed by the donor.

Cash and Equivalents

Cash and equivalents include cash on hand and short-term investments with original maturities of three months or less.

Grant Receivable, Net

Grant receivable consist of grants and are recorded at their realizable value upon receipt. An allowance for uncollectible grant receivable is provided based on management's evaluation of potential uncollectible promises to give at year-end. As of June 30, 2020, management has estimated the allowance for uncollectible grant receivable to be \$-0-.

Property and Equipment, Net

The Center capitalizes all property and equipment expenditures with a cost of \$1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or for donated items, at fair value as of the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period. Depreciation is computed using the straight-line method over the estimated useful live of the furniture and fixtures of 5 years.

Art Exhibits

Art Exhibits are recorded at cost if purchased or at the fair value at the date of accession if donated. Gains and losses from deaccession are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for and preserved. The Center's art exhibits have an extraordinary long service potential and economic benefit. Therefore, the art exhibits are not depreciated. Art exhibits are reviewed annually for impairment. Management determined no impairment was necessary to be recorded during the year ended June 30, 2020.

MONTHAVEN ARTS AND CULTURAL CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program, management and general or fundraising. 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, the expenses require allocation on a reasonable basis that is consistently applied. The Center has determined the allocation based on estimates of time and effort within the allocated expense accounts.

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, the Center has made no provision for federal income taxes in the accompanying financial statements.

The Center has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2019, 2018, 2017 and 2016. Based on the evaluation of the Center's tax positions, management believes all tax positions taken would be upheld under an examination by the tax authorities. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2020.

Revenue Recognition and Deferred Revenue

The Center offers art classes throughout the year. Revenue for these classes are recognized upon daily instruction. Funds received prior to the revenue recognition are recorded as deferred revenue. As of June 30, 2020, deferred revenue totaled \$7,708.

Donated Services

Contributed services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. The Center receives contributed time which does not meet the recognition criteria. Accordingly, the value of this time has not been reported within the financial statements.

NOTE B — PROPERTY AND EQUIPMENT, NET

As of June 30, 2020, property and equipment, net is comprised of furniture and fixtures with cost totaling \$2,809 with related accumulated depreciation totaling \$251. During the year ended June 30, 2020, depreciation totaled \$251.

NOTE C – DEPOSITS

A member of the Board of Directors purchased the land surrounding the Center for future development of the arts facility. The Center anticipates purchasing the land from the member of the Board of Directors when the funds are raised. The Center agreed to pay the mortgage and property tax on behalf of the member of the Board of Directors until the Center purchases the land. The funds paid for these costs have been recognized as a deposit for the future purchase. As of June 30, 2020, deposits paid totaled \$10,000.

MONTHAVEN ARTS AND CULTURAL CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE D — ART EXHIBITS

Art exhibits consist of the following as of June 30, 2020:

Farm Yard	\$ 700
Walking Man	1,400
Santorini Outlook	1,175
Monthanven	1,000
Monthaven Mansion	1,800
Southern Charm	8,000
Gabriel	700
In the Company of Heroes	75
Old Hickory Lake	3,800
Instrument bicolore	7,200
Monthaven Mansion	4,000
Woodland Creature	200
Monthaven	475
Monthaven Plein Air	750
Governors Cove	1,400
Olive the best	300
Pinnacle Prince	4,800
Total	<u>\$ 37,775</u>

NOTE E — PAYROLL PROTECTION PROGRAM

The Center received loan proceeds in the amount of \$44,587 under the Payroll Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses. The loans and accrued interest are forgivable as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll level. As of June 30, 2020, the payroll protection program note payable has not been formally forgiven.

The unforgiven portion of the PPP loan, if any, is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Center during the year ended June 30, 2020 used the funds received for eligible purposes. The Center recorded the funds as forgiven during the year ended June 30, 2020 as to match the forgiveness with the expenses covered.

NOTE F – CONCENTRATION OF RISK

During the year ended June 30, 2020, the Center received contributions from one donor totaling \$100,000, which represented 24% of total revenue and public support.

The Center may be subject in the future to credit risk to its cash and equivalents accounts, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) offers coverage up to \$250,000 for substantially all depository accounts. As of June 30, 2020, the Center had no funds in excess of the FDIC limit.

**MONTHAVEN ARTS AND CULTURAL CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE G — AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Center's financial assets as June 30, 2020, reduced by amounts not available for general use because of donor imposed restrictions within one year of June 30, 2020:

Financial assets, at year-end	\$ 122,783
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	-
Board of Directors designated endowment funds	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 122,783</u>

The Center is substantially supported by unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Center's liquidity management, it sends out cash as the restricted funds come in and maintains a level of cash related to contributions without donor restrictions.

NOTE H — CASH FLOW INFORMATION

There were no cash disbursements for income taxes or interest during the year ended June 30, 2020.

NOTE I—BUILDING USE RESTRICTIONS

The Center has certain building use restrictions which is included in the lease agreement issued January 2, 2019. The lease agreement restrictions are as follows:

- The Center will be allowed to lease Monthaven for a period of 25 years, beginning January 1, 2019 and ending December 31, 2044, with an option to renew for an additional 25 years under the same terms and conditions.
- The Center agrees to maintain such liability insurance as may be reasonable and necessary for its operations, and to maintain the property as it currently exists, reasonable wear and tear included.
- The Center agrees to maintain the property as it currently exists, reasonable wear and tear included.
- Any and all alterations or improvements to the property are subject to the approval of the City, which approval shall not be unreasonably withheld; further, the City is not obligated to expend funds on behalf of the Center or the leased property, it being the express intention that the City's sole obligation is to make the house available to the Center.
- The plans to develop an arts campus and to obtain additional property were an inducement to the City to enter into this Agreement to assist the Center with seeking donations and grants.
- The Center must maintain its tax-exempt status throughout the term of the lease pursuant to Section 501(c)(3) of the Internal Revenue Code.

**MONTHAVEN ARTS AND CULTURAL CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE J — LEASE AGREEMENTS

During the year the Center presents art exhibits and enters into short-term lease agreements for the display units to present the displays. During the year ended June 30, 2020 rent expense totaled \$4,443.

NOTE K — SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through November 20, 2020, which is the date the financial statements were available to be issued.