

BRONX COUNCIL ON THE ARTS, INC.

FINANCIAL STATEMENTS

JUNE 30TH, 2018

BRONX COUNCIL ON THE ARTS, INC.

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Independent Auditor's Report

To The Board of Trustees
Bronx Council on the Arts, Inc.
Bronx, New York

We have audited the accompanying financial statements of the Bronx Council on the Arts, Inc., a non-profit organization, which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 statement 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 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 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 Bronx Council on the Arts, Inc. as of June 30, 2018 and the changes in net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Anthony L. Roccamo, P.C.
1188 Willis Avenue, #218
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March 13th, 2019

**BRONX COUNCIL ON THE ARTS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30TH, 2018**

	JUNE 30TH, 2018		
	Without Restrictions	With Restrictions	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$91,621		\$91,621
Grants and other receivables	213,246		213,246
Security deposit	3,250		3,250
Total Current Assets	308,117		308,117
 <u>Fixed Assets:</u>			
Plant and equipment	94,113		94,113
Land	72,500		72,500
Building and improvements	831,633	3,626,217	4,457,850
Accumulated Depreciation	-131,293		-131,293
Property, plant and equipment, net	866,953	3,626,217	4,493,170
 TOTAL ASSETS	1,175,070	3,626,217	4,801,287
 <u>LIABILITIES AND NET ASSETS</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$13,221		\$13,221
Line of credit payable	98,999		98,999
Total Current Liabilities	112,220		112,220
 <u>Net Assets:</u>			
Net Assets With Donor Restrictions		3,626,217	3,626,217
Net Assets Without Donor Restrictions	1,062,850		1,062,850
Total Net Assets	1,062,850	3,626,217	4,689,067
 TOTAL LIABILITIES AND NET ASSETS	\$1,175,070	3,626,217	\$4,801,287

See accompanying notes to the financial statements

**BRONX COUNCIL ON THE ARTS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30TH, 2018**

	JUNE 30TH, 2018		
<u>Support and Revenue:</u>	Without Restrictions	With Restrictions	Total
Public support:			
Government grants and contracts		1,141,980	1,141,980
Foundations and Corporations	47,365		47,365
Individuals	6,537		6,537
Donated real estate property		2,336,487	2,336,487
Net assets released from restriction	3,478,467	-3,478,467	
Total public and government support	3,532,369	0	3,532,369
Other revenues:			
In-kind	60,125		60,125
Insurance recovery	42,613		42,613
Miscellaneous	42,217		42,217
Memberships	625		625
Interest Earned	188		188
Total other revenue	145,768	0	145,768
Total public support and other revenue	3,678,137	0	3,678,137
Expenses:			
Program services	\$1,090,115		\$1,090,115
Management and general	209,572		209,572
Fundraising	38,202		38,202
Total expenses	1,337,889		1,337,889
Change in net assets	2,340,248		2,340,248
Net assets as of July 1st, 2017	2,348,819		2,348,819
Net assets as of June 30th, 2018	4,689,067		4,689,067

See accompanying notes to the financial statements.

**BRONX COUNCIL ON THE ARTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30TH, 2018**

Cash Flows From Operating Activities:	
Changes in Net Assets	\$2,340,248
Adjustments to reconcile net income to net	
Income provided by operating activities:	
Changes in Current Operating Items:	
Grants and other receivables	-26,164
Prepaid expenses	11,497
Accounts Payable	-88,207
Deferred revenue	-10,128
Total adjustments	<u>-113,002</u>
Net Cash Provided by Operating Activities	<u>2,227,246</u>
 Cash Inflows/Outflows from Investing Activities:	
Purchases of Equipment	-\$2,336,487
Line of credit payable	98,999
Net cash used by investing activities	<u>-2,237,488</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	-10,242
 Cash and Cash Equivalents - Beginning of Year	<u>101,863</u>
 Cash and Cash Equivalents - End of Year	<u><u>\$91,621</u></u>

See accompanying notes to the financial statements.

**BRONX COUNCIL ON THE ARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30TH, 2018**

	June 30th, 2018			
	Program Services	Management and General	Fund Raising	Total
Personnel expenses				
Salaries	\$352,405	\$45,605	\$16,584	\$414,594
Payroll taxes and employee benefits	79,313	10,264	3,732	93,309
Total salaries and related expenses	431,718	55,869	20,316	507,903
Other expenses				
Consultants	17,300	16,250	9,756	43,306
Artistic and technical service fees	38,290			38,290
Regrants	488,515			488,515
Professional fees and contract services	36,559	36,559		73,118
Rent and utilities	60,125	48,860		108,985
Insurance	1,250	14,218		15,468
Supplies	443	6,884		7,327
Telephone	4,914	2,421		7,335
Printing, publication and publicity	3,052	3,560		6,612
Postage and delivery	295	833		1,128
Equipment leases/purchases		7,140		7,140
Equipment rental and maintenance	3,688			3,688
Repair and maintenance		801		801
Conference and meetings		2,050		2,050
Travel	1,553	3,301		4,854
Dues, fees, licenses and permits	2,413	4,899		7,312
Bank charges and payroll service fees		1,616		1,616
Interest expenses		4,311		4,311
Special events			8,130	8,130
Total other expenses	658,397	153,703	17,886	829,986
Total expenses	\$1,090,115	\$209,572	\$38,202	\$1,337,889

See accompanying notes to the financial statements

BRONX COUNCIL ON THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30TH, 2018

Note 1 – Description of the Entity

The Bronx Council on the Arts, Inc. (“BCA”) is a not-for-profit entity founded in 1962. BCA provides community arts grants and cultural services, arts education and exhibition programs, a writer's center, performances, public arts sponsorship, training and technical services, and acts as a fiscal conduit for qualified organizations engaged in cultural programming. BCA is supported primarily by government contracts. The primary focus is to offer quality professional and comprehensive services for artists, arts organizations and the over one million residents of Bronx County.

Note 2 – Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Accounting Method – BCA uses the accrual method of accounting, recognizing revenues when earned and expenditures when incurred.

Equipment – Equipment is carried at cost. Depreciation is recorded utilizing straight-line methods over the estimated useful life of the assets; leasehold improvements are amortized over the lesser of the related useful life of the assets or the lease term. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the income for that period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized, except for Government-funded programs where purchases of equipment, furniture and leasehold improvements and other capital items are charged as expenditures as incurred in accordance with generally accepted accounting principles for government units. The fair value of donated fixed assets is similarly capitalized.

Support and Revenue - The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that that the amounts for the two classes of net assets, Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions, be displayed in a statement of financial position and that the amounts of change in either of those classes of net assets be displayed in a statement of activities.

Contributions of property and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the net asset class with donor restrictions; restrictions are considered released at the time of acquiring the long-lived asset.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - Financial instruments, which potentially subject the organization to concentrations of credit risk, include temporary cash investments and certificates of deposit. The Federal Deposit Insurance Corporation insures balances up to \$250,000. As of June 30th, 2018. The organization had no uninsured balances.

Compliance With Grantor Restrictions - It is important to understand that government grants are made at the government's discretion and are subject to program audits. Such audits could result in claims against BCA for disallowed costs or noncompliance with grantor restrictions. Contract Receivables have been reduced for any disallowed costs or other reduction in expected reimbursements through the audit date.

Functional Allocation of Expenses - The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of functional expenses. Salaries and fringes are allocated directly among the various programs and supporting services based on actual time spent. Certain other costs have been allocated among the programs and supporting services based on benefit derived.

Income Taxes – BCA is a non-profit entity under Internal Revenue Code Section 501 (a) and, as such, makes no provision for federal, state or New York City income taxes. It is also considered to be a public charity under sections of the Internal Revenue Code, which allows donations to BCA to be deductible contributions on donor's income tax returns.

BCA has adopted the accounting pronouncement dealing with uncertain tax positions. Upon adoption of this accounting pronouncement as of June 30th, 2018, BCA had no unrecognized tax benefits. BCA has no open years subject to tax examination prior to June 30th, 2015. BCA did not recognize any tax related interest and penalties for the periods reported in these financial statements.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, BCA considers all highly – liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 3 - Cash in Bank

Cash in Banks at June 30th, 2018 totaling were held in various banking institutions. Cash at each bank is insured by the Federal Deposit Insurance Corporation for up to \$250,000 per depositor, per bank. There were no Amounts in Excess of insured limits at June 30th, 2018. Bank charges incurred during the fiscal year ended June 30th, 2018 were \$ 1,616.

Note 4 - Contributions and Grants

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at their fair market value at date of donation. Grants are recognized as funds are expended.

Note 5 – Contract Revenue and Grants Receivable

Contracts Receivable at June 30th, 2018 consist of the following:

Department of Cultural Affairs	\$ 67,500
Department of Cultural Affairs Re-grants	70,000
Department of Cultural Affairs Su-Casa	22,400
Hispanic Federation	29,654
National Endowment for the Arts	20,000
Hostos Community College	<u>2,687</u>
	<u>\$ 212,241</u>

Note 6 – Building and Improvements

The proposed new administrative headquarters, BCA@2700, located at 2700 East Tremont Avenue, at Westchester Square in the Bronx New York was donated to BCA by JP Morgan Chase in 2011. The building is being gut-renovated into BCA's new administrative offices. The building renovation is part of the City of New York Design and Construction projects portfolio, and capital development funds and expenditures are managed by the City of New York via the NYC Department of Cultural Affairs (DCA) and the NYC Department of Design Construction (DDC). The BCA@2700 building will serve as BCA's permanent headquarters and program

location upon completion. Costs incurred for design and development prior to construction through June 30th, 2018 have been capitalized as part of building and improvements. Depreciation expense has not been recorded in the current fiscal year, and will not be applied until completion of renovations and when the property is put into use. Management has allocated a portion of the value of the donated property to Land. Building renovation started in 2016 and has continued to date. Construction is ongoing due to the protracted City development process. It is management's decision to relocate to the completed facility by the fourth quarter of 2019.

In Fiscal 2018, The City of New York spent \$ 2,336,487 relating to the project named "Bronx Council on the Arts - Renovation of Facility". The City's investment of capital funding obligated the recipient organization, BCA, to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

Note 7 – Conduit Funds Payable

The BCA administers funds for arts organizations and individual artists that have been awarded funds by corporate and foundation sources. The BCA earns a small administrative fee for administering these funds. As of June 30th, 2018 there were no conduit funds payable.

Note 8 - Other Loans Payable

BCA utilizes a credit card in its day-to-day operations. The outstanding balance on the credit card was zero as of June 30th, 2018.

Note 9 - Retirement Plan

BCA participates in the employee Cultural Institutions Retirement System ("CIRS"), which covers all eligible employees. CIRS is a multi-employer plan administered by the City of New York, and its actuarial present value of vested and non-vested accumulated plan benefits and net assets available for plan benefits are not determinable on an individual institution basis. CIRS sponsors three employee benefit plans: a 401(k) savings plan; A Defined Benefit Pension Plan, and a group life insurance plan. BCA makes contributions to the 401(k) plan on behalf of all eligible employees. Contributions made in the current fiscal year totaled \$ 29,326. In addition, employees are allowed to contribute to the 401(k) plan; however, the matching contributions have been suspended since 2006 and therefore there were no matching contributions in the current fiscal year. As of June 30th, 2018, Pension Expense was \$ 29,326.

Note 10 - Rental Expenses

Current Rent Expense on the main office located at 1738 Hone Avenue, Bronx, New York was \$ 48,860. Rent of in-kind space plus utilities at BCA Longwood Art Gallery was \$ 60,125. Total rent for the current fiscal year was \$ 108,985.

The Westchester Square Branch of the New York Public Library provides space, utilities and maintenance services to The Writers' Center, a program of BCA. The fair value of the space and related services are not recorded as income and expense since it is not susceptible to objective measurement.

Note 12 - Subsequent Events

Management has evaluated subsequent events that occurred after the balance sheet date through April 4th, the date the financial statements were available to be issued. There were no reported disclosures as determined by management.

Note 13 - Contingency

BCA has received funds from state and local governments in the form of grants. Entitlement to the resources is conditional upon compliance with terms and conditions of the grants agreements and applicable regulations. Substantially, all grants are subject to the financial and compliance audits by the grantors. Management is of the opinion that a liability, if any, resulting from any financial and compliance audits would not have a material adverse effect on BCA's financial statements.

Note 14 - Long-Lived Assets and Impairment

In accordance with the provisions of ASC 360, BCA review long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write down to fair value is recorded. Fair values are determined based on the undiscounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. There were no impairment losses recognized for the year ended June 30th, 2018.

Note 15 - Cash Reserve Fund - Re-designation of Endowment Fund

The original Endowment Fund was established in 2008, upon a multi-phase challenge from the Rockefeller Brothers Fund providing BCA with a grant of \$250,000 pending the challenge of

BCA raising matching funds of \$75,000. This grant was re-designated and converted into a Cash Reserve Fund in December, 2012 with the approval of donor Rockefeller Brothers Fund and the BCA Board of directors. At that time BCA received the total grant, and manages it as a Board Designated Cash Reserve. Fund expenditures are deployed as needed upon approval of the BCA Board of Directors and BCA Executive Director.