

Bronx Council On the Arts, Inc

Financial Report
June 30, 2019

Contents

Independent auditor's report	1-2
Financial statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to financial statements	7-13

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Council on the Arts, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2019, the related statements of activities, functional expenses and cash flows, for the years then ended, and the related notes to the financial statements. The financial statements of the Organization, for the year ended June 30, 2018 were audited by other auditors, whose report, dated, March 13, 2019, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

The Organization's 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 Bronx Council on the Arts, Inc. as of June 30, 2019, and the changes 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

GMA & ASSOCIATES, LLC

Stamford, Connecticut
March 6, 2020

Bronx Council on the Arts, Inc
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash	\$ 41,555	\$ 91,621
Grants and other receivables (Note 3)	200,467	212,241
Other assets	318	1,005
Total assets	<u>242,339</u>	<u>304,867</u>
Building, furniture, and equipment, net (Note 4)	6,168,028	4,493,170
Other assets	3,250	3,250
	<u>6,171,278</u>	<u>4,496,420</u>
Total assets	<u>\$ 6,413,617</u>	<u>\$ 4,801,287</u>
Commitments and contingencies (Notes 5,6,8 and 11)		
Current liabilities		
Accounts payable and accrued expenses	\$ 89,790	\$ 13,221
Current maturities of capital lease obligations (Note 6)	6,700	-
Line of credit (Note 4)	99,789	98,999
	<u>196,278</u>	<u>112,220</u>
Noncurrent liabilities:		
Capital lease obligations, less current maturities (Note 6)	11,027	-
	<u>11,027</u>	<u>-</u>
Total liabilities	<u>207,306</u>	<u>112,220</u>
Net assets:		
Net assets with donor restrictions	6,168,028	3,698,717
Net assets without donor restrictions	38,283	990,350
	<u>6,206,311</u>	<u>4,689,067</u>
Total liabilities and net assets	<u>\$ 6,413,617</u>	<u>\$ 4,801,287</u>

See notes to financial statements.

Bronx Council on the Arts, Inc
Statements of Activities
Year Ended June 30, 2019 and 2018

	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
Operating Activities:				
Revenue:				
Government grants and contracts	\$ -	\$ 1,036,637	\$ 1,036,637	\$ 1,141,980
Individual and corporate contributions	18,952	-	18,952	53,901
Foundation and trust grants	-	2,012,863	2,012,863	2,336,487
Other program contributions:				
In-kind contributions	45,660	-	45,660	60,125
Insurance recovery	-	-	-	42,613
Miscellaneous	6,239	-	6,239	42,217
Membership	-	-	-	625
	<u>70,851</u>	<u>3,049,500</u>	<u>3,120,351</u>	<u>3,677,948</u>
Interest income	1	-	1	188
Net assets released from restriction	<u>1,263,164</u>	<u>(1,263,164)</u>	<u>-</u>	<u>-</u>
Total revenue and public support	<u>1,334,015</u>	<u>1,786,336</u>	<u>3,120,351</u>	<u>3,678,135</u>
Expenses:				
Program expenses	1,319,214	-	1,319,214	1,090,115
Fundraising	213,667	-	213,667	209,572
General and administrative	<u>70,227</u>	<u>-</u>	<u>70,227</u>	<u>38,202</u>
Total expenses	<u>1,603,107</u>	<u>-</u>	<u>1,603,109</u>	<u>1,337,889</u>
Changes in net assets	(269,092)	1,786,336	1,517,243	2,340,248
Net assets - Beginning of year	<u>307,375</u>	<u>4,381,692</u>	<u>4,689,067</u>	<u>2,348,819</u>
Net assets - End of year	<u>\$ 38,283</u>	<u>\$ 6,168,028</u>	<u>\$ 6,206,311</u>	<u>\$ 4,689,067</u>

See notes to financial statements.

Bronx Council on the Arts, Inc
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	Program	Fundraising	General and Administrative	2019 Total	2018 Total
Expenses:					
Salaries and wages	\$ 320,275	\$ 41,447	\$ 15,072	\$ 376,793	\$ 414,594
Payroll taxes and fringe benefits	94,290	12,202	4,437	110,929	93,307
	<u>414,564</u>	<u>53,649</u>	<u>19,509</u>	<u>487,722</u>	<u>507,901</u>
Consultants	26,075	24,492	14,705	65,272	43,306
Artistic and technical service fees	23,125	-	-	23,125	38,290
Regrants	655,426	-	-	655,426	488,515
Fees & Honoraria	43,590	-	-	43,590	-
Professional fees and contract services	41,013	41,012	-	82,025	73,118
Rent and utilities	57,854	44,802	-	102,656	106,686
Insurance	1,132	12,875	-	14,007	15,468
Supplies	603	9,375	-	9,978	7,327
Telephone	4,635	2,283	-	6,918	7,335
Printing, publications, and publicity	2,768	3,228	-	5,996	6,612
Postage and delivery	232	654	-	886	1,128
Equipment leases	-	7,140	-	7,140	7,140
Equipment rental and maintenance	328	-	-	328	3,688
Repairs and maintenance	-	3,169	-	3,169	3,101
Conference and meeting	-	389	-	389	2,050
Travel	1,088	2,313	-	3,401	4,853
Programming	1,603	-	-	1,603	-
Sponsorship	500	-	-	500	-
Dues, fees, licenses and permits	2,422	4,921	-	7,345	7,312
Bank and merchant service charges	-	1,338	-	1,338	1,616
Interest expense	-	2,025	-	2,025	4,311
Special events	-	-	7,843	7,843	8,130
Depreciation	42,256	-	28,170	70,426	-
	<u>\$ 1,319,214</u>	<u>\$ 213,667</u>	<u>\$ 70,227</u>	<u>\$ 1,603,109</u>	<u>\$ 1,337,888</u>

See notes to financial statements.

Bronx Council on the Arts, Inc
Statements of Cash Flows
Year Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ 1,517,243	\$ 2,340,248
Adjustments to reconcile net assets to net cash used in operating activities:		
Depreciation	70,425	-
Changes in assets and liabilities:		
Grants and other receivables (Note 3)	11,774	(26,164)
Other assets	687	11,497
Accounts payable and accrued expenses	76,569	(98,335)
Net cash provided by operating activities	<u>1,676,699</u>	<u>2,227,246</u>
Cash flows from investing activities:		
Payment for Property, furniture and equipment	<u>(1,727,557)</u>	<u>(2,336,487)</u>
Cash flows from financing activities:		
Proceeds from line of credit, net	<u>789</u>	<u>98,999</u>
Net decrease in cash	<u>(50,068)</u>	<u>(10,242)</u>
Cash:		
Beginning	<u>91,621</u>	<u>101,863</u>
Ending	<u>\$ 41,555</u>	<u>\$ 91,621</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	<u>\$ 2,025</u>	<u>\$ 4,311</u>

See Notes to Financial Statements.

Bronx Council on the Arts

Notes to Financial Statements

Note 1. Organization and Purpose:

The Bronx Council on the Arts, Inc. (the Organization) is a not-for-profit organization which was incorporated in 1962, under the laws of the state of New York. The Organization 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. The Organization is supported primarily by government contracts. The primary focus is to offer quality professional and comprehensive services for artists, and art organizations.

The Organization is a tax-exempt organization and, accordingly, is not subject to income tax in accordance with §501(c)(3) of the Internal Revenue Code (the "Code"). Contributions to the Organization are tax deductible to contributors as provided by law. The Organization has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization under the applicable sections of the Code. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Organization had no unrelated business income for the year ended June 30, 2019 and 2018.

Note 2. Nature of Activities and Significant Accounting Policies

A summary of the Organization's significant accounting policies follows:

Basis of Accounting presentation: The financial statements of the Organization have been prepared in the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, with guidance as issued by the Financial Accounting Standards Board (FASB) relating to financial statements of nonprofit organizations. As such, the financial statements are presented on the basis of the net assets of the Organization are reported as follows:

Descriptions of the classes of net assets of the Organization are reported as follows:

- **With Donor Restrictions:** This class consist of net asset resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization's, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Organization are classified as net assets with donor restrictions – perpetual in nature.
- **Without Donor Restrictions:** This class consists of the part of net assets that is not restricted by donor-imposed stipulations.

Estimates: The preparation of the 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 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 and those differences could be material.

Note 2. Nature of Activities and Significant Accounting Policies (Continued)

Revenue and Revenue Recognition:

Revenues from government agencies are recognized when earned. Expenses-based grants are recognized as allowable expenses are incurred. Payments of government grants that are received before the terms of the grants are satisfied are recorded as deferred income in the statements of financial position to reflect the conditional nature of the revenue recorded.

The classification of the Organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for the two classes of net assets (Net Assets Without Donor Restrictions and Net Assets with Donor Restrictions) be reported in the statements of financial position. When a donor's restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, donor restricted net assets are then reclassified to net assets without donor restriction and reported in the statement of activities as part of public support.

The Organization recognizes contribution revenue for donated goods and services at their fair values, with a corresponding expense categorized as supporting services.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, direct costs have been allocated among the various program and supporting-service categories based on the nature of the expense as determined by management. Indirect costs have been allocated on the basis of utilization.

Cash:

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains its cash in bank deposits, which, at times, may exceed federally insured limits.

Contribution receivable:

The Organization reports unconditional promises to give as contributions. If the outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the Organization over a period of years, they are recorded at the present value of their estimated cash flows using the prime rate of the calendar - year in the year of donation. Contribution receivable amounts due in excess of one year after June 30, 2019, and 2018 are reflected net of an allowance for uncollectible amounts based on management's judgement, past payment experience, and other relevant factors and have been discounted to net realizable value. There were no allowance for uncollectible amounts for the year ended June 30, 2019 and 2018.

Building, furniture and equipment:

The Organization records building, furniture and equipment at cost at the date of purchase, or if donated, at fair value at the date of donation. The Organization's fixed asset capitalization policy is set at 1,000; otherwise any fixed asset purchased below the capitalization policy is expensed in the period cost is incurred. Depreciation is computed and charged to operations using the straight-line method over the estimated useful life of 3-39 years. Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal.

Note 2. Nature of Activities and Significant Accounting Policies (Continued)

Long-lived assets and Impairments:

The Company follows the principles contained in Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 360, *Accounting for the Impairment and Disposal of Long-Lived Assets*, which requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis, the asset's carrying amount should be written down to fair value. Additionally, ASC 360 requires that long-lived assets to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. Management believes that the carrying costs of the leasehold improvements was not impaired at June 30, 2019.

Income taxes:

The Organization is subject to the provisions of FASB ASC Topic 740, Income Taxes, relating to accounting and reporting for uncertainty in income taxes. Because of Organization's general tax-exempt status, ASC Topic 740 has not had, and is not expected to have, a material impact on its financial statements.

The Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Based on management's evaluation of its tax positions at June 30, 2019 the Organization had no liabilities for uncertain tax positions.

Recently Adopted Accounting Pronouncements:

Presentation of Financial Statements of Not-for-Profit-Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14. *Not-for-Profit Entities (Topic 958) : Presentation of Financial Statements of Not-for Profit Entities* ASU 2016-14 amends the current reporting model for non-profit organizations and enhances their required disclosures. The major changes impacting the Organization include: (1) requiring the presentation of only two classes of net assets now titled "net assets with donor restriction" and "net assets without donor restrictions". (2) requiring that all not-profits present an analysis of expenses by function and nature in either the statements of activities, a sperate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resource, (4) presenting investment return net of external investment expenses, and (5) modifying other financial statement reporting requirements and disclosure intended to increase the usefulness of non-profit financial statements. The Organization has adopted ASU 2016-14 as of and for the year ended December 31, 2018, with retrospective application for the 2017 financial statements. As a result, investment expenses are netted against investment return (loss) on the Statement of Revenue Collected and Expenses Paid - Modified Cash Basis, without disclosure of the investment expense amount. The Organization also changed its presentation of net assets classes and expanded footnote disclosure as required by ASU 2016-14.

Bronx Council on the Arts, Inc
Notes to Financial Statements

Note 2. Nature of Activities and Significant Accounting Policies (Continued)

Pending Accounting Pronouncements:

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 establishes principles for reporting revenue arising from an organization's contracts with customers. The core principles of ASU 2014-09 require an organization to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods and services. The requirements of ASU 2014-09 are effective for the Organization's fiscal year ending December 31, 2019. The Organization is currently evaluating the impact of this pronouncements.

On June 21, 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from ASU 2014-09. Revenue from Contracts with Customers (Topic 606), regarding its implications on grants and contracts of not-for profit organizations. The requirements of ASU 2018-08 are effective for the Organization's fiscal year ending December 31, 2019. The Organization is currently evaluating the impact of this pronouncement.

In February 2016, FASB released ASU 2016-02, Leases (ASC 842). Under ASU 2016-02, lessees will be required to bring substantially all leases into their balance sheets by recording a right-of-use asset and lease liability. Expense will be recognized on a straight-line basis for an operating lease. The requirements of ASU 2016-02 are effective for the Organization's fiscal year ending December 31, 2020. The Organization is currently evaluating the impact of this pronouncement.

Note 3. Grants and other receivables

Grants and other receivables consist of the following:

	<u>2019</u>	<u>2018</u>
Department of Cultural Affairs	\$ 60,660	\$ 67,500
Department of Cultural Affairs Re-grants	104,000	70,000
Department of Cultural Affairs Su Casa	22,400	22,400
Hispanic Federation	12,750	29,654
National Endowment for the Arts	-	20,000
Hostos Community College	560	2,687
En Foco, Inc	97	-
	<u>\$ 200,467</u>	<u>\$ 212,241</u>

Bronx Council on the Arts, Inc
Notes to Financial Statements

Note 4. Building, furniture and equipment

In 2011 the Organization’s building , located at 2700 East Tremont Avenue, at Westchester Square in Bronx , New York was donated to the Organization by the JP Morgan Chase Foundation. Major renovations, to the building, was funded by the New York City Department of Cultural Affairs. Donation of the building and major renovation cost were capitalized and reported as construction in-progress on the statements of financial positions as of June 30, 2018. The building renovation was substantially completed and used in 2019, of which, the amount reported as construction in-progress for the fiscal year ended June 30, 2018 was reclassified to building cost as of June 30, 2019, of which the Organization commenced depreciating the building cost in fiscal year 2019.

In Fiscal 2019 and 2018, the City of New York spent/contributed \$1,696,723 and \$2,336,487, respectively, relating to the project named “Bronx Council on the Arts – Renovation of Facility”. The City’s investment of capital funding obligated the recipient organization, Bronx Council on the Arts, 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.

The building serves as the Organization’s permanent headquarters and programs location. The Organization’s building, furniture and equipment as of June 30, 2019 and 2018 were as follow:

	<u>2019</u>	<u>2018</u>
Land	\$ 72,500	\$ 72,500
Construction-in-progress	-	4,420,670
Building	6,117,393	-
Leasehold improvements	37,180	37,180
Furniture and equipments	142,674	94,113
	<u>6,369,747</u>	<u>4,624,463</u>
Less accumulated depreciation	(201,719)	(131,293)
	<u>\$ 6,168,028</u>	<u>\$ 4,493,170</u>

Note 5. Line of Credit and Term Loan

The Organization established a line of credit (the “loan”) with Spring Bank that is secured by the assets of the Organization and is due on demand. The loan allows the Organization to borrow up to \$150,000; at prime rate plus 1.5% (6.50%) at June 30, 2019. The loan matures on August 1, 2025. The Organization borrowed \$99,789 and \$99,999 against the loan for the years ended June 30, 2019 and 2018, respectively.

Bronx Council on the Arts, Inc
Notes to Financial Statements

Note 6. Capital lease Obligation

The Organization leases a copier equipment under a capital lease. The book value of the asset was \$11,818 and \$0 at June 30, 2019 and 2018, respectively. The capital lease obligation is, payable in monthly installments of \$595, which includes principal and interest expense, through December 2021, at an interest rate imputed at 3%.

2020	\$ 7,140
2021	7,140
2022	4,165
Total minimum lease payments	<u>18,445</u>
Less amounts representing interest	<u>(718)</u>
Present value of minimum capital lease payments	17,727
Less current portion	<u>(6,700)</u>
Capital lease obligation, net of current portion	<u>\$ 11,027</u>

Note 7. Office Lease

The Organization had a month to month operating lease for use to support its programs and office space located at 1738 Hone Avenue, Bronx, New York. The Organization forfeited the office space as of April 30, 2019, upon substantial completion and major renovation to a building, which is owned by the Organization, and used as its permanent office located in the Bronx, New York (See Note 4). The Organization is also granted an in-kind donation for use of the Longwood Art Gallery space, located in Bronx, New York valued at \$45,660. For the years ending June 30, 2019 and 2018, rent expense was \$102,656 and \$106,686, respectively.

The Westchester Square Branch of the New York Public Library provides space, utilities and maintenance services to The Writers' Center, a program of the Organization. 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 8. Contingency and Commitments

The Organization receives 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 grant agreement and applicable regulations. Substantially, all grants are subject to the financial and compliance audit by the grantors. Management believes a liability, if any, resulting from any financial and compliance audits would not have a material adverse effect on the Organization's financial statements.

Note 9. Major Customer and Donors:

The Organization received approximately \$983,400 and \$3,183,987 from the New York City Department of Cultural Affairs for both years ending June 30, 2019 and 2018.

Note 10. Information Regarding Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Bronx Council on the Arts, Inc
Notes to Financial Statements

Note 10. Information Regarding Liquidity and Availability of Resources (Continued)

The Organization's financial assets as of June 30, 2019 consist of cash, all of which are available to meet general expenditures within one year of the financial statement date.

Financial assets, at year end:

Cash	\$ 41,555
Grants and other receivables (Note 3)	200,467
Other assts	<u>318</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u><u>\$ 242,339</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 11. Pension Plans

The Organization 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 determinable on an individual institution basis. CIRS sponsors its employee benefit plans: 401(k) Savings Plan, Defined Benefit Pension Plan, and a Group Life Insurance Plan. The Organization makes contributions to the 401(k) Saving Plan on behalf of all eligible employees. The Organization has suspended matching contribution to the plan since 2006. Pension cost incurred as of June 30, 2019 and 2018 was \$35,207 and \$29,326, respectively.

Note 12. Subsequent Events

Subsequent events have been evaluated through March 6, 2020, the date the financial statements were available to be issued.