

**Frontline Arts, A New Jersey Non-Profit Corporation**

Financial Statements and Review Report  
With Summarized Financial Information for the Prior Year

June 30, 2020

# **Frontline Arts, A New Jersey Non-Profit Corporation**

## **Table of Contents**

**June 30, 2020**

	Page
<b>INDEPENDENT ACCOUNTANT'S REVIEW REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

# Henry B. Murphy, Jr.

*Certified Public Accountant*

Montgomery Knoll, 146 Tamarack Circle, Skillman, NJ 08558

Phone (609) 497-2929, Fax (609) 751-9354

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of *Frontline Arts, A New Jersey Non-Profit Corporation*

I have reviewed the accompanying financial statements of Frontline Arts, A New Jersey Non-Profit Corporation, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

### **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.

### **Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## Summarized Comparative Information

I previously reviewed Frontline Arts' June 30, 2019 financial statements and, in my conclusion dated September 1, 2019, stated that, based on my review, I was not aware of any material modifications that should be made to the June 30, 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. I am not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2019 for it to be consistent with the reviewed financial statements from which it has been derived.



August 18, 2020

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

	June 30,	
	2020	2019
<b>ASSETS</b>		
Cash	\$ 58,669	\$ 20,320
Accounts receivable	-	3,939
Prepaid expenses	-	1,500
Grant receivable	2,590	2,719
Inventory	6,231	5,000
Property and equipment, net	19,803	26,456
Collections, net	23,000	23,000
<b>TOTAL ASSETS</b>	<b>\$ 110,293</b>	<b>\$ 82,934</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 2,841	\$ 9,513
Loan payable	30,800	-
Total liabilities	33,641	9,513
<b>Net Assets</b>		
Without donor restrictions	73,742	73,421
With donor restrictions	2,910	-
Total net assets	76,652	73,421
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 110,293</b>	<b>\$ 82,934</b>

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Support				
In-kind donated services, materials, and facilities	\$ 31,357	\$ -	\$ 31,357	\$ 33,472
Foundation grants	29,600	-	29,600	25,000
Corporate grants	26,983	-	26,983	26,272
Contributions	24,535	2,910	27,445	19,555
Special events	14,032	-	14,032	1,183
Government grants	22,945	-	22,945	13,458
Total support	<u>149,452</u>	<u>2,910</u>	<u>152,362</u>	<u>118,940</u>
Revenue				
Frontline Paper program fees	36,530	-	36,530	61,706
Studio fees	25,890	-	25,890	30,180
Adult education classes	8,012	-	8,012	17,449
Membership dues	10,272	-	10,272	13,698
Other revenue	4,240	-	4,240	1,200
Exhibition sales	995	-	995	3,294
Total revenue	<u>85,939</u>	<u>-</u>	<u>85,939</u>	<u>134,700</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>235,391</b>	<b>2,910</b>	<b>238,301</b>	<b>253,640</b>
<b>EXPENSES</b>				
Program services	140,036	-	140,036	180,602
Management and general	73,950	-	73,950	77,643
Fundraising	21,084	-	21,084	17,760
<b>TOTAL EXPENSES</b>	<u>235,070</u>	<u>-</u>	<u>235,070</u>	<u>276,005</u>
<b>CHANGE IN NET ASSETS</b>	<u>321</u>	<u>2,910</u>	<u>3,231</u>	<u>(22,365)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>73,421</b>	<b>-</b>	<b>73,421</b>	<b>95,786</b>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 73,742</u></u>	<u><u>\$ 2,910</u></u>	<u><u>\$ 76,652</u></u>	<u><u>\$ 73,421</u></u>

See independent accountant's review report and notes to financial statements.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	June 30, 2020				June 30,
	Program Services	Management and General	Fundraising	Total	2019 Total
Compensation and payroll taxes	\$ 93,168	42,845	\$ 12,677	\$ 148,690	\$ 180,602
Occupancy	28,896	2,175	-	31,071	32,044
Office expense	-	6,986	-	6,986	9,054
Program expense - supplies	2,854	-	-	2,854	8,066
Professional fees	-	5,355	-	5,355	9,300
Travel	2,721	-	-	2,721	6,647
Depreciation	6,569	84	-	6,653	6,608
Program expense - other	3,401	-	-	3,401	6,130
Insurance	-	6,852	-	6,852	4,858
Advertising and marketing	806	3,600	-	4,406	3,548
Payroll service	-	3,474	-	3,474	2,409
In-kind expenses	957	-	-	957	2,204
Bank fees	-	1,585	-	1,585	1,821
Special events and reception	664	-	8,407	9,071	1,775
Postage	-	994	-	994	939
Miscellaneous	-	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 140,036</u>	<u>\$ 73,950</u>	<u>\$ 21,084</u>	<u>\$ 235,070</u>	<u>\$ 276,005</u>

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2019 and 2020

	June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,231	\$ (22,365)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,653	6,608
Donated assets included in contributions but capitalized as collections	-	(3,000)
(Increase) decrease in operating assets		
Prepaid expenses	1,500	(1,500)
Accounts receivable	3,939	7,959
Grants receivable	129	(130)
Inventory	(1,231)	-
Accounts payable and accrued expenses	(6,672)	(8,042)
Deferred revenue	-	(2,050)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>7,549</u>	<u>(22,520)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	-	(2,792)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	<u>30,800</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	38,349	(25,312)
<b>BEGINNING CASH</b>	20,320	45,632
<b>ENDING CASH</b>	<u><u>\$ 58,669</u></u>	<u><u>\$ 20,320</u></u>



**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 1 - DESCRIPTION OF THE ORGANIZATION**

Frontline Arts, A New Jersey Non-Profit Corporation (“Frontline”), formerly the Printmaking Center of New Jersey, is dedicated to connecting and building communities through socially engaging arts practices rooted in papermaking and printmaking. Frontline supports in-house and mobile educational programs and provides a communal space with shared equipment and space for printmakers and papermakers across the State of New Jersey and larger regions. Frontline also offers community-building events, a variety of artist studio services, and groundbreaking exhibitions in the refurbished second-floor gallery.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The financial statements of the Frontline have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Frontline is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions - Net assets derived from resources that are not subject to explicit donor-imposed restrictions.
- Net Assets With Donor Restrictions - Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Property and Equipment** – Property and equipment over \$1,000 are recorded at cost or, if donated, as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the various assets.

Repairs and maintenance that do not improve or extend the life of the respective assets for more than one year are expensed when incurred.

**Collections** – Frontline has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the statement of activities as net assets without donor restrictions or net assets with donor restrictions placed on the item at the time of accession.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2020**

conjunction with Frontline’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**Advertising Costs** – Advertising costs are expensed as incurred.

**Income Taxes** - Frontline is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code for activities related to its exempt purpose. Frontline has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Among others, these estimates include the useful lives of fixed assets, allocation of functional expenses, the value of in-kind donations, and the collectability of grants and accounts receivable.

**In-kind contributions** – In accordance with The Financial Accounting Standards Board Accounting Standards Codified (“ASC”) 958-202, donated property, marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise need to be purchased by Frontline.

**Note 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Frontline’s qualitative approach to liquidity is to fund expenses with current revenue including contributions, grants, program fees, membership dues, fundraising events, and studio fees. Frontline prepares annual budgets and regularly reviews budget versus actual results.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2020**

Quantitatively, the following reflects Frontline’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations or time restrictions:

Total assets at year end	\$ 110,293
Less nonfinancial assets	
Inventory	(6,231)
Property and equipment, net	(19,803)
Collections, net	<u>(23,000)</u>
Financial assets at year end	61,259
Less those unavailable for general expenditures within one year due to:	
Donor or other contractual obligations	(2,910)
Their long-term nature	-
Board restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 58,349</u></u>

In addition to these available financial assets, a significant portion of Frontline’s annual expenditures will be funded by current year operating revenues from contributions, grants, and program services.

**Note 4 - INCOME TAXES**

Frontline’s income tax returns are subject to review and examination by federal, state, and local authorities. Frontline is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to unrelated business income taxes. Frontline’s tax returns for the years ended June 30, 2017, 2018, and 2019 are open for federal examination.

**Note 5 - DONATED SERVICES, MATERIALS AND FACILITIES**

Frontline received donated services and other non-cash items from a variety of unpaid volunteers. The amounts recognized are as follows:

	<u>For the year ended June 30,</u>	
	2020	2019
Value of professional services recognized as expense	\$ 2,400	\$ -
Value of donated leases space in excess of payment	28,000	28,000
Value of other in-kind donations expensed	<u>957</u>	<u>5,472</u>
	<u><u>\$ 31,357</u></u>	<u><u>\$ 33,472</u></u>

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 6 – PROPERTY AND EQUIPMENT AND COLLECTIONS**

Property and equipment consist of the following:

	June 30,	
	2020	2019
Printing equipment	\$ 74,398	\$ 79,398
Office furniture and equipment	3,671	3,671
Vehicles	10,500	10,500
Leasehold improvements	22,767	22,767
Subtotal	<u>111,336</u>	<u>111,336</u>
Accumulated depreciation	<u>(91,533)</u>	<u>(84,880)</u>
Net book value	<u>\$ 19,803</u>	<u>\$ 26,456</u>

Collections consist of the following:

Collections	\$ 23,000	\$ 23,000
Accumulated depreciation	<u>-</u>	<u>-</u>
Net book value	<u>\$ 23,000</u>	<u>\$ 23,000</u>

**Note 7 – LEASES**

Since 1978, Frontline has leased space from the Somerset County Park Commission on an annual basis for less than the fair value of the property. The difference between the fair value and the amount of the rent paid is recorded as a contribution in-kind and an expense in-kind in the period received. That amount was \$28,000 for each of the years ended June 30, 2020 and 2019.

**Note 8 – GRANTS AND ACCOUNTS RECEIVABLE**

Grants and accounts receivable are considered by management to be fully collectible, and, accordingly, no allowance for uncollectability has been provided.

**Note 9 – FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributable to one or more of Frontline’s program or supporting functions. The expenses reported by functional categories consist of compensation expenses that have been allocated based on time and efforts spent. Office and insurance are based on management’s judgement. Depreciation and occupancy expenses that have been allocated based on space used.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 10 – NOTES PAYABLE**

Frontline Arts entered into a loan agreement with the Northeast Bank on May 9, 2020 for \$30,800 and matures in two years with annual interest at the rate of 1%. The Organization received the loan proceeds in the amount of approximately \$30,800 under the Paycheck 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 of the qualifying business. The loans and accrued interest are forgivable after either eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four week period. The future maturities are as follows:

Years Ending June 30,	Principal due
2021	\$ 14,500
2022	<u>14,500</u>
Total	<u>\$ 30,800</u>

**Note 12 – NET ASSETS**

The net assets restricted by purpose are related funds collected on Giving Tuesday for Frontline Paper Sundays to be held in spring 2020. Those workshops were cancelled due to the Covid-19 closure and they hope to reopen in 2021. Net Assets with donor restrictions are:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Restricted by purpose	\$ 2,910	\$ -
Restricted by time	-	-
Total temporarily restricted net assets	<u>\$ 2,910</u>	<u>\$ -</u>

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 11 - SUBSEQUENT EVENTS**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread around the world. The World Health Organization (WHO) declared the COVID-19 outbreak a public health emergency of international concern on January 30, 2020 and a pandemic on March 11, 2020. Local transmission of the disease has occurred in most countries. In addition, multiple jurisdictions in the US have declared a state of emergency. The impacts have been substantial to all areas of society and are anticipated to continue for some time. They have affected, and will continue to affect, Frontline's ability to deliver services. The future course of COVID-19's impact is uncertain.

Frontline has evaluated subsequent events through August 18, 2020, the date on which the financial statements were available to be issued.