

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

Financial Statements and Review Report  
With Summarized Financial Information for the prior year

June 30, 2019

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

## **Table of Contents**

**June 30, 2019**

	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, 2019, 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, 2018 financial statements and, in my conclusion dated September 19, 2018, stated that, based on my review, I was not aware of any material modifications that should be made to the June 30, 2018 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, 2018 for it to be consistent with the reviewed financial statements from which it has been derived.

*Henry B Murphy Jr*

September 1, 2019

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2019	2018
<b>ASSETS</b>		
Cash	\$ 20,320	\$ 45,632
Accounts receivable	3,939	11,898
Prepaid expenses	1,500	-
Grant receivable	2,719	2,589
Property and equipment, net	31,456	32,272
Collections, net	23,000	23,000
<b>TOTAL ASSETS</b>	<u><u>\$ 82,934</u></u>	<u><u>\$ 115,391</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 9,513	\$ 17,555
Deferred revenue	-	2,050
<b>TOTAL LIABILITIES</b>	<u>9,513</u>	<u>19,605</u>
<b>NET ASSETS - WITHOUT DONOR RESTRICTIONS</b>	73,421	95,786
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 82,934</u></u>	<u><u>\$ 115,391</u></u>

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENTS OF ACTIVITIES**

Years Ended

June 30,

	2019	2018
	All Without Donor Restrictions	All Without Donor Restrictions
<b>SUPPORT AND REVENUE</b>		
Support		
In-kind donated services, materials, and facilities	\$ 33,472	\$ 94,227
Foundation grants	25,000	32,500
Contribution received through assumption agreement	-	31,476
Corporate grants	26,272	25,000
Contributions	19,555	14,880
Special events	1,183	14,071
Government grants	13,458	10,356
	<u>118,940</u>	<u>222,510</u>
Revenue		
Frontline Paper program fees	61,706	37,450
Studio fees	30,180	17,551
Adult education classes	17,449	12,586
Membership dues	13,698	8,245
Roving press	-	2,770
Paper Connects program fees	7,173	2,748
Other revenue	1,200	1,278
Exhibition sales	3,294	1,133
	<u>253,640</u>	<u>306,271</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>		
<b>EXPENSES</b>		
Program services	180,602	194,531
Management and general	77,643	100,950
Fundraising	17,760	22,331
<b>TOTAL EXPENSES</b>	<u>276,005</u>	<u>317,812</u>
<b>CHANGE IN NET ASSETS</b>	<u>(22,365)</u>	<u>(11,541)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	95,786	107,327
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 73,421</u>	<u>\$ 95,786</u>

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

Page 4

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE PRIOR YEAR**  
Year Ended

	June 30, 2019				June 30,
	Program Services	Management and General	Fundraising	Total	2018 Total
Compensation and payroll taxes	\$ 117,485	\$ 46,935	\$ 16,182	\$180,602	\$ 156,791
Occupancy	29,801	2,243	-	32,044	39,291
Office expense	-	9,054	-	9,054	6,156
Program expense - supplies	8,066	-	-	8,066	6,692
Professional fees	-	9,300	-	9,300	2,934
Travel	6,647	-	-	6,647	11,850
Depreciation	6,524	84	-	6,608	6,246
Program expense - other	6,130	-	-	6,130	2,879
Insurance	-	4,858	-	4,858	3,162
Advertising and marketing	3,548	-	-	3,548	2,993
Payroll service	-	2,409	-	2,409	2,845
In-kind expenses	2,204	-	-	2,204	61,727
Bank fees	-	1,821	-	1,821	2,284
Special events and reception	197	-	1,578	1,775	10,113
Postage	-	939	-	939	799
Miscellaneous	-	-	-	-	1,050
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 180,602</b>	<b>\$ 77,643</b>	<b>\$ 17,760</b>	<b>\$276,005</b>	<b>\$ 317,812</b>

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**STATEMENTS OF CASH FLOWS**  
Years Ended

	June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,365)	\$ (11,541)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	6,608	6,246
Donations included in contributions but capitalized as fixed assets	-	(4,500)
Donated assets included in contributions but capitalized as collections	(3,000)	(3,000)
(Increase) decrease in operating assets		
Prepaid expenses	(1,500)	-
Accounts receivable	7,959	(9,309)
Grants receivable	(130)	(2,589)
Accounts payable and accrued expenses	(8,042)	17,555
Deferred revenue	(2,050)	2,050
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(22,520)</u>	<u>(5,088)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	(2,792)	(15,539)
<b>NET DECREASE IN CASH</b>	<u>(25,312)</u>	<u>(20,627)</u>
<b>BEGINNING CASH</b>	45,632	66,259
<b>ENDING CASH</b>	<u>\$ 20,320</u>	<u>\$ 45,632</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash investing and financing transactions		
Donated services capitalized	\$ -	\$ 4,845
Cash paid for interest	-	-
Cash paid for taxes	-	-

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



**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2019**

**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.

In September of 2017, the Printmaking Center of New Jersey legally assumed, through an acquisition merger, its former long-time fiscal project, then known as Frontline Arts. In March of 2018, the unified entity merged its Board of Trustees and staff, restructured to strengthen its programs and infrastructure systems, and re-branded Frontline with a legal name change to “Frontline Arts, A New Jersey Non-Profit Corporation”.

**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.

The Society 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 unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2019**

**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 conjunction with Frontline's financial statements for the year ended June 30, 2018, 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.

**Recently Adopted Accounting Pronouncements**-Frontline adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in the year ended June 30, 2019. That standard requires net assets to be presented in two classes instead of three. The two classes are net assets with donor restrictions and net assets without donor restrictions. The prior year, June 30, 2018, has been restated to conform to this treatment. Additional enhanced disclosures are now required to present the amounts and purposes of board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. ASU 2016-14 requires the entity to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date, including disclosure of the availability of financial assets at the statement of financial position date, affected by 1) its nature, 2) external limits imposed by donors, grantors, laws and contracts with others, and 3) internal limits imposed by governing board decisions. ASU 2016-14 requires reporting of expenses by both their natural and functional classification.

**Recently Issued Accounting Pronouncements**- In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2019**

GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for Frontline for the year ending June 30, 2020. Frontline is currently evaluating the effect that the updated standard will have on its financial statements and related disclosures.

**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.

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	\$ 82,934
Less nonfinancial assets	
Prepaid expenses	(1,500)
Property and equipment, net	(31,456)
Collections, net	(23,000)
Financial assets at year end	<u>26,978</u>
Less those unavailable for general expenditures within one year due to:	
Donor or other contractual obligations	-
Their long-term nature	-
Board restrictions	-
Financial Assets available to meet cash needs for general expenditures within one year	<u><u>\$ 26,978</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, 201, 2017 and 2018 are open for federal examination.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 2019**

**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>	
	2019	2018
Value of legal services recognized as expense	\$ -	\$ 54,527
Value of donated leases space in excess of payment	28,000	28,000
Value of other in-kind donations expensed	5,472	7,200
Value of donated items capitalized	3,000	4,500
	<u>\$ 36,472</u>	<u>\$ 94,227</u>

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

Property and equipment consists of the following:

	<u>June 30,</u>	
	2019	2018
Printing equipment	\$ 79,398	\$ 76,398
Office furniture and equipment	3,671	3,671
Vehicles	10,500	10,500
Leasehold improvements	22,767	19,975
Subtotal	<u>116,336</u>	<u>110,544</u>
Accumulated depreciation	<u>(84,880)</u>	<u>(78,272)</u>
Net book value	<u>\$ 31,456</u>	<u>\$ 32,272</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 the years ended June 30, 2018 and 2019.

**Frontline Arts, A New Jersey Non-Profit Corporation**  
**Notes to Financial Statements**  
**June 30, 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 and occupancy expenses that have been allocated based on space used.

**Note 10 - SUBSEQUENT EVENTS**

Frontline has evaluated subsequent events through September 1, 2019, the date on which the financial statements were available to be issued.