

Frontline Arts, A New Jersey Non-Profit Corporation

Financial Statements
And
Review Report

June 30, 2018

Frontline Arts, A New Jersey Non-Profit Corporation

Table of Contents

June 30, 2018

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

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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, 2018, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the June 30, 2017 net assets have been restated. My report is not modified with respect to this matter.

Henry B. Murphy Jr.

September 19, 2018

Frontline Arts, A New Jersey Non-Profit Corporation
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

Cash	\$ 45,632
Accounts receivable	11,898
Grant receivable	2,589
Property and equipment, net	32,272
Collections, net	23,000

TOTAL ASSETS \$ 115,391

LIABILITIES

Accounts payable and accrued expenses	\$ 17,555
Deferred revenue	2,050

TOTAL LIABILITIES 19,605

NET ASSETS - ALL UNRESTRICTED 95,786

TOTAL LIABILITIES AND NET ASSETS \$ 115,391

Frontline Arts, A New Jersey Non-Profit Corporation
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	<u>All Unrestricted</u>
SUPPORT AND REVENUE	
Support	
In-kind donated services, materials, and facilities	\$ 94,227
Foundation grants	32,500
Contribution received through assumption agreement	31,476
Corporate grants	25,000
Contributions	14,880
Special events	14,071
Government grants	10,356
	<u>222,510</u>
Revenue	
Frontline Paper program fees	37,450
Studio fees	17,551
Adult education classes	12,586
Membership dues	8,245
Roving press	2,770
Paper Connects program fees	2,748
Other revenue	1,278
Exhibition sales	1,133
	<u>306,271</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>306,271</u>
EXPENSES	
Program services	194,531
Management and general	100,950
Fundraising	22,331
TOTAL EXPENSES	<u>317,812</u>
CHANGE IN NET ASSETS	<u>(11,541)</u>
NET ASSETS AT BEGINNING OF YEAR	107,327
NET ASSETS AT END OF YEAR	<u><u>\$ 95,786</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, 2018

	Program Services	Management and General	Fundraising	Total
Compensation and payroll taxes	\$ 127,468	\$ 17,105	\$ 12,218	\$ 156,791
In-kind expenses - legal services	-	61,727	-	61,727
Occupancy	36,541	2,750	-	39,291
Travel	11,850	-	-	11,850
Special events	-	-	10,113	10,113
Program expense - supplies	6,692	-	-	6,692
Depreciation	5,309	937	-	6,246
Office expense	-	6,156	-	6,156
Insurance	-	3,162	-	3,162
Advertising and marketing	2,993	-	-	2,993
Professional fees	-	2,934	-	2,934
Program expense - other	2,879	-	-	2,879
Payroll service	-	2,845	-	2,845
Bank fees	-	2,284	-	2,284
Miscellaneous	-	1,050	-	1,050
Postage	799	-	-	799
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 194,531</u></u>	<u><u>\$ 100,950</u></u>	<u><u>\$ 22,331</u></u>	<u><u>\$ 317,812</u></u>

Frontline Arts, A New Jersey Non-Profit Corporation
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

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

Frontline Arts, A New Jersey Non-Profit Corporation
Notes to Financial Statements
June 30, 2018

Note 1 - DESCRIPTION OF THE ORGANIZATION

Frontline Arts, A New Jersey Non-Profit Corporation (the “Organization”), formerly the Printmaking Center of New Jersey, is dedicated to connecting and building communities through socially engaging arts practices rooted in papermaking and printmaking. The Organization 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. The Organization also offers community-building events, a variety of artist studio services, and groundbreaking exhibitions in the newly 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. The unified entity merged its Board of Trustees and staff, restructured to strengthen its programs and infrastructure systems, and re-branded the Organization with a legal name change to “Frontline Arts, A New Jersey Non-Profit Corporation”, in March 2018.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - net assets not subject to donor-imposed stipulations, and therefore expendable for operating purposes.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.

Permanently restricted net assets - net assets subjected to donor-imposed stipulations that they be maintained permanently by the Organization.

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 – The organization 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

Frontline Arts, A New Jersey Non-Profit Corporation
Notes to Financial Statements
June 30, 2018

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.

Restricted and Unrestricted Support and Revenue - Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose conditions are met in the same year as received are recorded as unrestricted in the statement of activities.

Advertising Costs – Advertising costs are expensed as incurred.

Income Taxes - The Organization 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. The Organization 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 be purchased by the Organization.

Note 3 - INCOME TAX

The Organization’s income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to unrelated business income taxes. The Organization’s tax returns for the years ended June 30, 2015, 2016, and 2017 are open for federal examination.

Frontline Arts, A New Jersey Non-Profit Corporation
Notes to Financial Statements
June 30, 2018

Note 4 - DONATED SERVICES, MATERIALS AND FACILITIES

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

Value of legal services recognized as expense	\$ 54,527
Value of donated leases space in excess of payment	28,000
Value of other in-kind donations expensed	7,200
Value of donated gallery floor capitalized	4,500
	<u>\$ 94,227</u>

Note 5 – PROPERTY AND EQUIPMENT AND COLLECTIONS

Property and equipment consists of the following:

Printing equipment	\$ 76,398
Office furniture and equipment	3,671
Vehicles	10,500
Leasehold improvements	19,975
Subtotal	<u>110,544</u>
Accumulated depreciation	<u>(78,272)</u>
Net book value	<u>\$ 32,272</u>

Collections consist of the following:

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

Note 6 – LEASES

Since 1978, the Organization 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 is recorded as a contribution in-kind and an expense in-kind in the period received. That amount was \$28,000 for the year ended June 30, 2018.

Note 7 – GRANTS AND ACCOUNTS RECEIVABLE

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

Frontline Arts, A New Jersey Non-Profit Corporation
Notes to Financial Statements
June 30, 2018

Note 8 - PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2017 have been adjusted to correct for an understatement of expenses discovered after the statements were issued. The table below sets forth a summary of the restatement that was made to the June 30, 2017 net assets:

	Total All <u>Unrestricted</u>
Net assets, beginning of year, previously stated	\$ 114,383
Understatement of expenses	<u>7,056</u>
Net assets, beginning of year, as restated	<u><u>\$ 107,327</u></u>

Note 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 19, 2018, the date the financial statements were available to be issued.