

**CENTER FOR PUPPETRY ARTS, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

# CENTER FOR PUPPETRY ARTS, INC.

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**BLAD & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Center for Puppetry Arts, Inc.

We have audited the accompanying financial statements of the Center for Puppetry Arts, Inc. which comprise the statements of financial position, as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years 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 statements 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 audits 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 the Center for Puppetry Arts, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blad & Associates, P.C.*

Dunwoody, Georgia  
December 9, 2020

**CENTER FOR PUPPETRY ARTS, INC.**  
**Statements of Financial Position**

	As of June 30,	
	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 606,473	\$ 100,769
Marketable securities	602,576	715,418
Contributions and other receivables, less reserve of of \$5,300 and \$10,000 at 2020 and 2019	79,933	98,287
Grants and contracts receivable	48,500	57,173
Inventory	135,985	116,030
Prepays	39,384	116,976
<b>Total Current Assets</b>	<b>1,512,851</b>	<b>1,204,653</b>
<b>CONTRIBUTION RECEIVABLE (DUE MAY 2021)</b>	-	50,000
<b>CASH RESTRICTED FOR LONG TERM PURPOSES (NOTE 2)</b>	-	298,172
<b>ASSETS RESTRICTED FOR ENDOWMENTS:</b>		
Marketable securities	1,707,795	1,707,795
<b>PROPERTY AND EQUIPMENT- NET</b>	12,185,286	12,782,263
<b>MUSEUM COLLECTION (NOTE 2)</b>	4,072,160	4,063,390
<b>WEBSITE REDESIGN- NET</b>	71,063	-
<b>TOTAL ASSETS</b>	<b>\$ 19,549,155</b>	<b>\$ 20,106,273</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accruals	\$ 160,119	\$ 133,430
Deferred revenue	99,671	128,496
Line of credit (Note 3)	799,832	599,000
Paycheck Protection Program loan (Note 1)	453,638	-
<b>Total Current Liabilities</b>	<b>1,513,260</b>	<b>860,926</b>
<b>LONG-TERM DEBT:</b>		
Paycheck Protection Program loan (Note 1)	10,000	-
<b>Total Liabilities</b>	<b>1,523,260</b>	<b>860,926</b>
<b>NET ASSETS (NOTE 2):</b>		
Net Assets Without Donor Restrictions	11,142,440	12,204,908
Net Assets With Donor Restrictions:		
Restricted by purpose or time	1,103,500	1,269,254
Restricted in perpetuity	5,779,955	5,771,185
<b>Total Net Assets With Donor Restrictions</b>	<b>6,883,455</b>	<b>7,040,439</b>
<b>Total Net Assets</b>	<b>18,025,895</b>	<b>19,245,347</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,549,155</b>	<b>\$ 20,106,273</b>

See accompanying summary of accounting policies and notes to financial statements.

# CENTER FOR PUPPETRY ARTS, INC.

## Statement of Activities For the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
<b>PUBLIC SUPPORT:</b>			
Contributions	\$ 767,110	\$ 274,466	\$ 1,041,576
Grants and contracts	134,423	-	134,423
Donated services and materials	217,053	-	217,053
Membership	53,539	-	53,539
<b>Total Public Support</b>	<b>1,172,125</b>	<b>274,466</b>	<b>1,446,591</b>
<b>REVENUE:</b>			
Performances	646,554	-	646,554
Museum	379,198	-	379,198
Education	309,313	-	309,313
String Fling, net of direct benefits costs of \$53,571	138,221	-	138,221
Gift shop	159,347	-	159,347
Interest and dividends	-	90,360	90,360
Gain (loss) on marketable securities	(18)	35,381	35,363
Other revenue	69,866	-	69,866
<b>Total Revenue</b>	<b>1,702,481</b>	<b>125,741</b>	<b>1,828,222</b>
<b>Total Public Support and Revenue before Transfers</b>	<b>2,874,606</b>	<b>400,207</b>	<b>3,274,813</b>
<b>Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements</b>	<b>557,191</b>	<b>(557,191)</b>	<b>-</b>
<b>Total Public Support and Revenue</b>	<b>3,431,797</b>	<b>(156,984)</b>	<b>3,274,813</b>
<b>EXPENSES:</b>			
Program	3,364,380	-	3,364,380
Management and general	761,148	-	761,148
Fundraising	368,737	-	368,737
<b>Total Expenses</b>	<b>4,494,265</b>	<b>-</b>	<b>4,494,265</b>
<b>Net Changes in Net Assets</b>	<b>(1,062,468)</b>	<b>(156,984)</b>	<b>(1,219,452)</b>
<b>NET ASSETS:</b>			
<b>Beginning of Year</b>	<b>12,204,908</b>	<b>7,040,439</b>	<b>19,245,347</b>
<b>End of Year</b>	<b>\$ 11,142,440</b>	<b>\$ 6,883,455</b>	<b>\$ 18,025,895</b>

See accompanying summary of accounting policies and notes to financial statements.

# CENTER FOR PUPPETRY ARTS, INC.

## Statement of Activities For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
<b>PUBLIC SUPPORT:</b>			
Contributions	\$ 424,731	\$ 745,506	\$ 1,170,237
Grants and contracts	110,923	-	110,923
Donated services and materials	255,460	-	255,460
Membership	44,480	-	44,480
<b>Total Public Support</b>	<b>835,594</b>	<b>745,506</b>	<b>1,581,100</b>
<b>REVENUE:</b>			
Performances	813,666	-	813,666
Museum	478,711	-	478,711
Education	378,395	-	378,395
String Fling, net of direct benefits cost of \$53,759	144,048	-	144,048
Gift shop	200,277	-	200,277
Interest and dividends	-	93,787	93,787
Gain (loss) on marketable securities	-	67,312	67,312
Other revenue	91,730	-	91,730
<b>Total Revenue</b>	<b>2,106,827</b>	<b>161,099</b>	<b>2,267,926</b>
<b>Total Public Support and Revenue before Transfers</b>	<b>2,942,421</b>	<b>906,605</b>	<b>3,849,026</b>
<b>Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements</b>	<b>1,129,884</b>	<b>(1,129,884)</b>	<b>-</b>
<b>Total Public Support and Revenue</b>	<b>4,072,305</b>	<b>(223,279)</b>	<b>3,849,026</b>
<b>EXPENSES:</b>			
Program	3,355,503	-	3,355,503
Management and general	770,548	-	770,548
Fundraising	323,635	-	323,635
<b>Total Expenses</b>	<b>4,449,686</b>	<b>-</b>	<b>4,449,686</b>
<b>Net Changes in Net Assets</b>	<b>(377,381)</b>	<b>(223,279)</b>	<b>(600,660)</b>
<b>NET ASSETS:</b>			
<b>Beginning of Year</b>	<b>12,582,289</b>	<b>7,263,718</b>	<b>19,846,007</b>
<b>End of Year</b>	<b>\$ 12,204,908</b>	<b>\$ 7,040,439</b>	<b>\$ 19,245,347</b>

See accompanying summary of accounting policies and notes to financial statements.

**CENTER FOR PUPPETRY ARTS, INC.**  
**Statement of Functional Allocation**  
**For the Year Ended June 30, 2020**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related	\$ 1,749,691	\$ 374,124	\$ 149,235	\$ 2,273,050
Outside services	320,193	79,382	152,340	551,915
Marketing	36,394	39,885	4,015	80,294
Office	9,230	1,973	787	11,990
Supplies	62,441	1,317	8,666	72,424
Store Inventory	66,772	-	-	66,772
Occupancy	132,645	3,482	1,740	137,867
Travel	6,935	423	222	7,580
Insurance	76,540	2,009	1,004	79,553
Interest	18,709	491	245	19,445
Depreciation and amortization	581,327	15,261	7,626	604,214
Telecommunications	19,979	4,272	1,704	25,955
Postage and printing	39,078	35,086	14,623	88,787
Bank charges	-	66,052	-	66,052
Network fees	65,757	-	-	65,757
Royalties	51,237	-	-	51,237
Bad Debt	6,246	14,575	-	20,821
Regrants	3,764	-	-	3,764
Donated goods and services	101,073	102,717	13,262	217,052
Other	16,369	20,099	13,268	49,736
	<u>\$ 3,364,380</u>	<u>\$ 761,148</u>	<u>\$ 368,737</u>	<u>\$ 4,494,265</u>
<b>Total expenses</b>	<u><b>\$ 3,364,380</b></u>	<u><b>\$ 761,148</b></u>	<u><b>\$ 368,737</b></u>	<u><b>\$ 4,494,265</b></u>

Paycheck Protection Program loan (Note 1)

See accompanying summary of accounting policies and notes to financial statements.

**CENTER FOR PUPPETRY ARTS, INC.**  
**Statement of Functional Allocation**  
**For the Year Ended June 30, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related	\$ 1,838,335	392,469	\$ 233,850	\$ 2,464,654
Outside services	170,385	47,210	12,453	230,048
Marketing	44,272	56,399	5,298	105,969
Office	10,785	2,302	1,372	14,459
Supplies	62,921	1,062	11,332	75,315
Store Inventory	85,566	-	-	85,566
Occupancy	148,897	3,909	1,953	154,759
Travel	23,808	314	397	24,519
Insurance	75,002	1,969	984	77,955
Interest	17,008	446	223	17,677
Depreciation	557,999	14,649	7,320	579,968
Telecommunications	18,906	4,036	2,405	25,347
Postage and printing	35,399	35,763	19,076	90,238
Bank charges	-	69,963	-	69,963
Network fees	63,565	-	-	63,565
Royalties	50,701	-	-	50,701
Bad Debt	6,027	14,063	-	20,090
Regrants	3,000	-	-	3,000
Donated goods and services	115,682	101,159	14,539	231,380
Other	27,245	24,835	12,433	64,513
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 3,355,503</u>	<u>\$ 770,548</u>	<u>\$ 323,635</u>	<u>\$ 4,449,686</u>

See accompanying summary of accounting policies and notes to financial statements.



**CENTER FOR PUPPETRY ARTS, INC.**  
**Statements of Cash Flows**

	<b>For the Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes In net assets	\$ (1,219,452)	\$ (600,660)
Adjustments to changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	604,214	579,968
Unrealized loss (gain) on investments	(1,636)	(1,636)
Contributions restricted for long term purposes	-	(258,106)
Donated museum collection items	(8,770)	(40,901)
Bad debt provision	20,821	20,090
(Increase) decrease in accounts receivable	51,506	(93,633)
(Increase) decrease in inventory	(19,955)	(182)
(Increase) decrease in prepaids	77,592	(18,794)
( Increase) decrease in allowance for uncollectible	4,700	-
Increase (decrease) in accounts payable and accruals	26,689	(83,258)
Increase (decrease) in deferred revenue	(28,825)	(5,442)
Net cash flows from operating activities	(493,116)	(502,554)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (increase) decrease of marketable securities (current) - net of unrealized gains and losses	114,478	81,762
Purchases of website redesigning	(28,425)	-
Purchases of property and equipment	(49,875)	(334,887)
Net cash flows from investing activities	36,178	(253,125)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Paycheck Protection Program loan (Note 1)	200,832	430,000
Net proceeds received from notes payable	463,638	-
Collections of contributions restricted for long-term purposes	-	258,106
Net cash flows from financing activities	664,470	688,106
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	207,532	(67,573)
<b>Beginning of year</b>	398,941	466,514
<b>End of year</b>	\$ 606,473	\$ 398,941
<b>RECONCILIATION OF CASH BALANCE:</b>		
Cash and cash equivalents	\$ 606,473	\$ 100,769
Cash restricted for long-term purposes	-	298,172
	\$ 606,473	\$ 398,941
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest expense payments	\$ 19,445	17,678
Income tax payments	\$ -	\$ -

See accompanying summary of accounting policies and notes to financial statements.

# CENTER FOR PUPPETRY ARTS, INC.

## SUMMARY OF ACCOUNTING POLICIES

### ORGANIZATION

The Center for Puppetry Arts, Inc., (the "Organization"), is a Georgia non-profit corporation. The Organization's purpose is to promote puppetry arts to the public through performances, a museum and education.

### BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The net assets, revenue, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes:

*Net assets without donor restrictions* are currently available for purposes under the direction of the board, designated by the board for specific use, or resources invested in furniture and equipment.

*Net assets with donor restrictions* are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled

### PUBLIC SUPPORT AND REVENUE RECOGNITION

Support is recognized in the year received at its fair market value. Contributions with donor-imposed restrictions are reported as restricted-support. The satisfaction or expiration of donor-imposed restrictions is recorded as a transfer from net assets with restrictions to net assets without restrictions in the year the satisfaction or expiration occur.

The Organization classifies donor-restricted contributions as net assets without donor restrictions if the restrictions are met in the same reporting period in which the contributions are received.

Pledges to give payments in future years are recorded as support in the year the pledge is made. The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected collection period.

The Organization provides an allowance for doubtful accounts based upon a review of the outstanding receivables. The Organization determines if receivables are past due based on days outstanding and amounts are written off when determined to be uncollectible by management. The maximum accounting loss from the credit risk associated with the receivable is the amount of the receivable recorded.

### EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in net assets without donor restrictions.

# CENTER FOR PUPPETRY ARTS, INC.

## SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based primarily on salary expenditures.

### USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires reliance on accounting information based on estimates which may or may not come true in the near term. Significant estimates include the functional expense allocation, the capitalization of property and equipment and the estimated fair value of donated museum collections.

### INCOME TAXES

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements. In addition, the Organization has been classified as an entity that is not a private foundation within the meaning of section 509(a).

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or the fair market value at the time of the donation for contributed items. Depreciation is computed over the estimated useful lives (3-40 years) of the assets using the straight-line method. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets are capitalized. Property and equipment consist of the following:

	As of June 30,	
	2020	2019
Buildings and improvements	\$16,873,215	\$16,828,524
Furniture and equipment	1,314,097	1,308,912
Vehicles	59,403	59,403
Construction in progress	24,078	80,930
Land	1,781,074	1,781,074
Property and Equipment	20,051,867	20,058,843
Less accumulated depreciation	(7,866,581)	(7,276,580)
Property and Equipment - Net	<u>\$12,185,286</u>	<u>\$12,782,263</u>

### WEBSITE REDESIGN

Website costs incurred during the planning, training and operation stages are expensed as incurred. Website application and infrastructure development costs are capitalized. Once in use, the website capitalized costs are amortized over estimated useful life of 3 years. Amortization expense totaled \$14,212 for the year ended June 30, 2020.

# CENTER FOR PUPPETRY ARTS, INC.

## SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### ADVERTISING

The Organization charged advertising totaling \$198,009 and \$252,037 to expense during the years ended June 30, 2020 and 2019, respectively. Primarily all of the advertising was donated to the Organization. For nondirect-response advertising, the Organization's policy is to expense costs as incurred.

### MUSEUM COLLECTION

The museum collection represents works of arts or historically significant items in the field of puppetry that are held for public exhibition in the Organization's museum or exhibits. The Organization's policy is to capitalize all collections at cost or, for donated items, at fair market value at the time of the donation. In accordance with the Organization's policy, the proceeds from the sale of collection items must be used to acquire other collection items. The Organization has designated the collection as inexhaustible and, accordingly, does not record depreciation for these assets.

### CASH AND CASH EQUIVALENTS

Cash includes interest bearing checking accounts and highly liquid temporary investments with a maturity of three months or less.

### DONATED SERVICES AND MATERIALS

Donated services and materials are recognized at their estimated values at the date of service or donation. The accompanying statements of activities reflect the following contributed services and materials:

	For the year ended June 30,	
	2020	2019
Advertising and publicity	\$ 112,716	\$ 146,066
Supplies and maintenance	5,652	29,030
Travel	12,320	18,400
Legal	36,487	16,489
Information technology services	34,800	33,240
Other	15,078	12,235
	<u>\$ 217,053</u>	<u>\$255,460</u>

In addition, many individuals volunteer time and perform a variety of tasks that assist the Organization with various administrative and program functions. No amounts have been recorded in the financial statements to reflect these volunteers because these donated services do not meet the criteria for recognition.

# CENTER FOR PUPPETRY ARTS, INC.

## SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### CONCENTRATIONS

The Organization maintains bank accounts and brokerage accounts at financial institutions that may exceed federally insured limits at times.

### INVENTORY

The Organization's inventory consists primarily of items held for resale in the gift shop. Inventory is stated at the lower of cost or market.

### FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of marketable securities, accounts payable and accrued expenses, a line of credit and notes payable. These financial instruments are stated at cost, which approximates fair value, except for marketable securities which are stated at fair market value.

### MARKETABLE SECURITIES

Marketable securities are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Marketable securities represent primarily amounts invested in publicly traded stocks, bonds and mutual funds (focused primarily on stocks and bonds). The marketable securities have been valued using level 1 and 2 inputs.

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Marketable securities consist of the following at June 30:

	2020	2019
Fixed income funds	\$ 561,873	\$ 548,455
Equity funds	1,457,388	1,562,204
Alternative strategies funds	193,482	207,667
Real estate investment funds	97,628	104,887
	<u>\$2,310,371</u>	<u>\$2,423,213</u>

# **CENTER FOR PUPPETRY ARTS, INC.**

## **SUMMARY OF ACCOUNTING POLICIES (CONCLUDED)**

### **UNCERTAIN TAX POSITIONS**

The Organization recognizes 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 the taxing authority, based on the technical merits of the position. As of June 30, 2020 and 2019, there are no known items which would result in a material accrual related to where the Organization has federal or state attributable tax positions. Generally, taxing authorities have three years to examine a filing from the later of the filing date or the extended due date of the filing.

### **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the audit report date, which is the date the financial statements were available to be issued.

### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for fiscal years beginning after December 15, 2021. It is to be adopted using a modified retrospective approach or through a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Organization is does not anticipate a material impact on the financial statements upon adoption of this new standard.

### **RECENTLY ADOPTED ACCOUNTING POLICY**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The Organization adopted the provisions of this new standard during the year ended June 30, 2020. Under the new standard, restricted cash is included with cash and cash equivalents in the statements of cash flows.

In May 2014, the FASB issued a new accounting standard, ASU 2014-09 (Topic 606), which impacts revenue recognition for exchange transactions. The Organization adopted the provision of the new standard for the year ended June 30, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

In June 2018, the FASB issued a new accounting standard, ASU 2018-08 (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization adopted the provision of the new standard for the year ended June 30, 2020. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

# CENTER FOR PUPPETRY ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – ECONOMIC UNCERTAINTY DUE TO COVID-19 PANDEMIC AND PPP LOAN

During the year ending June 30, 2020, the United States economy was negatively impacted as a result of the COVID-19 pandemic. Due to the pandemic, the Organization cancelled shows and events and deferred related fees. As the pandemic continues, the Organization continues to evaluate the financial and organizational impact of the economic uncertainty.

On April 17, 2020, the Organization obtained a \$462,700 loan under the Small Business Administration's Paycheck Protection Program (PPP). Under the terms of the loan agreement, the Organization will make equal monthly payments plus 1% interest beginning in November 2020 with a maturity date of April 2022. If certain conditions are met under the program's loan use guidelines, the loan can be forgiven. On December 4, 2020, the Organization received notice that the PPP loan will be forgiven in the amount of \$452,700 (after subtraction of the \$10,000 EIDL advanced discussed in the following paragraph).

During August 2020, the Organization obtained an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000 under the Small Business Administration. The loan proceeds are to be used solely for working capital to alleviate the economic injury due to the pandemic. The loan is secured by the assets of the Organization. The loan is to be repaid in monthly installments of \$641, including principal and interest. The loan matures in July 2051. The Organization received an EIDL advance in the amount of \$10,000 during the year ended June 30, 2020. Businesses and non-profit corporations who received the EIDL advance in addition to the PPP loan will have the advance subtracted from the forgiveness amount. Therefore, \$10,000 of the PPP loan has been classified as long-term.

Based on non-authoritative technical practice aids and current industry discussions, not-for-profit entities have the option to account for PPP loans under either the debt or grant model. The Organization has chosen to follow the debt model, which records the PPP loan as a financial liability until the SBA has approved the forgiveness. At that point in time, the Organization will recognize income to the extent of the forgiveness.

### NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS

Amounts required to be invested in perpetuity:

	As of June 30,	
	2020	2019
General endowment fund (a)	\$ 402,500	\$ 402,500
Artistic endowment fund (b)	945,918	945,918
Barbara Wyly endowment fund (c)	209,377	209,377
Goizueta Foundation endowment(b)	150,000	150,000
Museum collection	4,072,160	4,063,390
	<u>\$5,779,955</u>	<u>\$5,771,185</u>

- (a) -income is unrestricted (Capital Campaign III)
- (b) -income is restricted for creative programming, portion of income must be reinvested (Artistic Endowment Campaign)
- (c) -income is restricted to support the executive director's artistic and programming responsibilities (Barbara Wyly Endowment Campaign)

# CENTER FOR PUPPETRY ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

The Organization's endowment investment policy is to primarily invest in money market funds and publicly traded equity and debt instruments. Amounts are spent from the endowments at the Organization's discretion. Changes in assets invested with endowment funds are as follows:

	Restricted for specified purpose	Restricted in perpetuity	Total
Balance at 6/30/18	\$ 898,785	\$ 1,707,795	\$ 2,606,580
Interest and dividends earned	93,787		93,787
Management fees	(12,066)	-	(12,066)
Realized and unrealized gains (loss)	67,312	-	67,312
Withdrawals	(296,000)	-	(296,000)
Balance at 6/30/19	751,818	1,707,795	2,459,613
Interest and dividends earned	90,360	-	90,360
Management fees	(11,531)	-	(11,531)
Realized and unrealized gains (loss)	35,381	-	35,381
Withdrawals	(90,000)	-	(90,000)
Balance at 6/30/20	\$ 776,028	* \$1,707,795	\$2,483,823

\* \$173,452 of these investments are held in cash accounts and, therefore, these amounts are included in cash and cash equivalents on the Statement of Financial Position at June 30, 2020.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) has been adopted by the State of Georgia. The Board of the Organization has reviewed UPMIFA and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.



# CENTER FOR PUPPETRY ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 - NET ASSETS WITH DONOR RESTRICTIONS-concluded

In accordance with UPMIFA, the Organization considers: (1) The duration and preservation of the endowment fund; (2) The purposes of the Organization and the endowment fund; (3) General economic conditions; (4) The possible effect of inflation or deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of the Organization; and (7) The investment policies of the Organization.

The assets of the general endowment are invested in a segregated investment account and the remaining endowment funds (collectively referred to as the “consolidated artistic endowment fund”) are invested in another investment account.

Net assets with specified purposes consisted of cash and receivables restricted for the following:

	As of June 30,	
	2020	2019
Capital campaign purpose related to facility expansion/renovation	\$ 90,247	\$ 215,126 *
Artistic purposes – accum. earnings on artistic endowment	302,234	288,408
Operating – accum. earnings on general endowment	473,794	463,411
Field Trips	50,000	100,000
Website redesign	11,125	83,046 *
Distance learning/education	25,000	25,000
Museum	25,000	26,764
Guest Artist	25,000	
New production	25,000	25,000
Programming – FYE 6/30/20	-	10,000
Programming – FYE 6/30/21	3,000	-
Sensory Friendly Programming	35,000	-
Bilingual Programming	12,500	-
Strategic Planning	12,500	-
Dark Crystal Acquisition	10,000	-
Other	3,100	32,500
	\$1,103,500	\$1,269,255

\*Donor-imposed restrictions that limit their use to long term purposes are reflected as noncurrent assets. Note that there were no donor-imposed restrictions for long term purposes at June 30, 2019.

# **CENTER FOR PUPPETRY ARTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**

### **NOTE 3 – LINE OF CREDIT**

The Organization has an \$800,000 line of credit from a bank. The line of credit is secured by all assets and matures in January 2021. Under the terms of the agreement, interest is payable monthly at the bank's prime rate minus 1.5 percent with the principal payable in full at maturity. Prime rate at June 30, 2020 was 3.3%. The outstanding balance at June 30, 2020 was \$799,832.

### **NOTE 4 – CONTINGENCIES**

Grants and contributions often require the fulfillment of certain conditions as set forth in the terms of the related instrument. Failure to fulfill the conditions could result in the return of the funds to the grantor. Management represents that the Organization has complied with any such conditions. Although the return of funds is a possibility, management deems the contingency unlikely.

### **NOTE 5 - PENSION PLAN**

The Organization has a Tax Deferred Annuity plan, as defined under Section 403(b) of the Internal Revenue Code. The employee can make contributions to the plan through a salary reduction agreement with the Organization, subject to certain maximum limitations. The Organization can make a discretionary contribution to the plan up to three percent of the employee's compensation. The plan is underwritten and maintained by an outside party. During the years ended June 30, 2020 and 2019, total employer's contributions to the plan were \$26,235 and \$33,582, respectively.

### **NOTE 6 – LIQUIDITY AND FUNDS AVAILABLE**

The Organization has \$1,512,851 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$606,473, marketable securities of \$602,576, receivables of \$128,433, inventory of \$135,985 and prepaid expenses of \$39,384. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents to meet short term normal operating expenses. Including in these financial assets are a total amount of \$1,103,500 with donor-imposed restrictions. The Organization has a \$800,000 line of credit as discussed in Note 3. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.