

CENTER FOR PUPPETRY ARTS, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

CENTER FOR PUPPETRY ARTS, INC.

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BLAD & HEZLEP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Center for Puppetry Arts, Inc. which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related summary of accounting policies and notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Puppetry Arts, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center for Puppetry Arts, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Puppetry Arts, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audits of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Center for Puppetry Arts, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Puppetry Arts, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Blad & Hezlep, LLC

Blad & Hezlep, LLC
October 26, 2023

CENTER FOR PUPPETRY ARTS, INC.
Statements of Financial Position

	As of June 30,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 670,989	\$ 1,396,194
Marketable securities	707,100	533,930
Contributions and other receivables, less reserve of of \$3,335 and \$5,300, respectively	31,566	47,052
Grants and contracts receivable	320,449	241,289
Inventory	30,045	51,742
Prepays	75,353	81,167
Total Current Assets	1,835,502	2,351,374
CASH RESTRICTED FOR LONG TERM PURPOSES (NOTE 2)	80,000	105,000
ASSETS RESTRICTED FOR ENDOWMENTS:		
Marketable securities	1,707,795	1,707,795
PROPERTY AND EQUIPMENT- NET	11,286,882	11,816,920
MUSEUM COLLECTION (NOTE 2)	4,273,628	4,223,500
WEBSITE REDESIGN- NET	-	14,213
TOTAL ASSETS	\$ 19,183,807	\$ 20,218,802
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 254,226	\$ 230,767
Deferred revenue	341,900	361,956
Line of credit (Note 3)	399,832	599,832
Current maturities of notes payable (Note 3)	3,060	1,794
Total Current Liabilities	999,018	1,194,349
NOTES PAYABLE, LESS CURRENT MATURITIES (NOTE 3)	156,596	155,258
LONG-TERM DEFERRED REVENUE	19,231	246,278
Total Liabilities	1,174,845	1,595,885
NET ASSETS (NOTE 2):		
Net Assets Without Donor Restrictions	10,891,656	11,553,186
Net Assets With Donor Restrictions:		
Restricted by purpose or time	1,135,883	1,138,436
Restricted in perpetuity	5,981,423	5,931,295
Total Net Assets With Donor Restrictions	7,117,306	7,069,731
Total Net Assets	18,008,962	18,622,917
TOTAL LIABILITIES AND NET ASSETS	\$ 19,183,807	\$ 20,218,802

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT:			
Contributions of cash and other financial assets	\$ 404,449	\$ 360,133	\$ 764,582
Contributions of nonfinancial assets	176,434	50,128	226,562
Grants and contracts	260,000	-	260,000
Employee Retention Credit	223,949	-	223,949
Loss on fixed asset disposal	(24,080)	-	(24,080)
Total Public Support	<u>1,040,752</u>	<u>410,261</u>	<u>1,451,013</u>
REVENUE:			
Performances	968,992	-	968,992
Museum	582,907	-	582,907
Education	514,668	-	514,668
Special events, net of direct benefits costs of \$58,455	252,722	-	252,722
Gift shop	261,457	-	261,457
Interest and dividends	-	73,890	73,890
Gain (loss) on marketable securities	-	162,663	162,663
Other revenue	452,199	-	452,199
Total Revenue	<u>3,032,945</u>	<u>236,553</u>	<u>3,269,498</u>
Total Public Support and Revenue before Transfers	4,073,697	646,814	4,720,511
Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements	<u>599,239</u>	<u>(599,239)</u>	<u>-</u>
Total Public Support and Revenue	<u>4,672,936</u>	<u>47,575</u>	<u>4,720,511</u>
EXPENSES:			
Program	4,123,718	-	4,123,718
Management and general	866,576	-	866,576
Fundraising	344,172	-	344,172
Total Expenses	<u>5,334,466</u>	<u>-</u>	<u>5,334,466</u>
Net Changes in Net Assets	(661,530)	47,575	(613,955)
NET ASSETS:			
Beginning of Year	<u>11,553,186</u>	<u>7,069,731</u>	<u>18,622,917</u>
End of Year	<u>\$ 10,891,656</u>	<u>\$ 7,117,306</u>	<u>\$ 18,008,962</u>

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
PUBLIC SUPPORT:			
Contributions of cash and other financial assets	\$ 505,230	\$ 360,316	\$ 865,546
Contributions of nonfinancial assets	196,202	75,640	271,842
Grants and contracts	160,300	-	160,300
Shuttered Venue Operators Grant	904,167	-	904,167
Paycheck Protection Program	443,563	-	443,563
	2,209,462	435,956	2,645,418
REVENUE:			
Performances	664,156	-	664,156
Museum	509,832	-	509,832
Education	377,505	-	377,505
Special events, net of direct benefits costs of \$35,969	203,009	-	203,009
Gift shop	258,190	-	258,190
Interest and dividends	-	131,191	131,191
Gain (loss) on marketable securities	-	(556,483)	(556,483)
Other revenue	134,797	-	134,797
	2,147,489	(425,292)	1,722,197
Total Revenue	2,147,489	(425,292)	1,722,197
Total Public Support and Revenue before Transfers	4,356,951	10,664	4,367,615
Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements	910,773	(910,773)	-
Total Public Support and Revenue	5,267,724	(900,109)	4,367,615
EXPENSES:			
Program	3,765,567	-	3,765,567
Management and general	806,591	-	806,591
Fundraising	355,772	-	355,772
	4,927,930	-	4,927,930
Total Expenses	4,927,930	-	4,927,930
Net Changes in Net Assets	339,794	(900,109)	(560,315)
NET ASSETS:			
Beginning of Year	11,213,392	7,969,840	19,183,232
End of Year	\$ 11,553,186	\$ 7,069,731	\$ 18,622,917

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, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related	\$ 2,397,955	\$ 459,969	\$ 237,413	\$ 3,095,337
Outside services	303,432	69,864	24,951	398,247
Marketing	40,257	73,058	5,964	119,279
Office	13,828	2,652	1,369	17,849
Supplies	99,784	1,292	19,590	120,666
Store Inventory	105,363	-	-	105,363
Occupancy	150,753	3,957	1,978	156,688
Travel	43,334	1,007	1,178	45,519
Insurance	97,415	2,557	1,278	101,250
Interest	31,366	824	412	32,602
Depreciation and amortization	558,901	14,672	7,332	580,905
Telecommunications	13,596	2,608	1,346	17,550
Postage and printing	5,990	4,534	12,296	22,820
Bank charges	-	88,077	-	88,077
Network fees	70,516	-	-	70,516
Royalties	78,340	-	-	78,340
Bad Debt	1,701	3,970	-	5,671
Regrants	3,000	-	-	3,000
Donated goods and services	57,620	109,432	9,438	176,490
Other	50,567	28,103	19,627	98,297
Total expenses	<u><u>\$ 4,123,718</u></u>	<u><u>\$ 866,576</u></u>	<u><u>\$ 344,172</u></u>	<u><u>\$ 5,334,466</u></u>

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, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related	\$ 2,002,335	\$ 462,391	\$ 239,307	\$ 2,704,033
Outside services	308,829	71,964	32,751	413,544
Marketing	57,049	40,797	5,149	102,995
Office	12,457	2,876	1,489	16,822
Supplies	75,850	746	12,084	88,680
Store Inventory	116,180	-	-	116,180
Occupancy	152,128	3,994	1,996	158,118
Travel	37,601	1,230	3,762	42,593
Insurance	85,749	2,251	1,125	89,125
Interest	21,747	571	285	22,603
Depreciation and amortization	599,927	15,749	7,870	623,546
Telecommunications	12,263	2,832	1,466	16,561
Postage and printing	13,858	7,534	9,516	30,908
Bank charges	-	73,396	-	73,396
Network fees	66,237	-	-	66,237
Royalties	69,991	-	-	69,991
Bad Debt	575	1,342	-	1,917
Regrants	2,000	-	-	2,000
Donated goods and services	87,558	97,521	11,123	196,202
Other	43,233	21,397	27,849	92,479
Total expenses	<u><u>\$ 3,765,567</u></u>	<u><u>\$ 806,591</u></u>	<u><u>\$ 355,772</u></u>	<u><u>\$ 4,927,930</u></u>

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

CENTER FOR PUPPETRY ARTS, INC.
Statements of Cash Flows

	For the Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes In net assets	\$ (613,955)	\$ (560,315)
Adjustments to changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	580,905	623,546
Realized/unrealized loss (gain) on marketable securities	162,663	(556,483)
Contributions restricted for long term purposes	-	(20,000)
Donated museum collection items	(50,128)	(75,640)
Loss (gain) on disposal of fixed assets	24,080	-
Bad debt provision	5,671	1,917
Paycheck Protection Program loan forgiveness	-	(443,563)
(Increase) decrease in accounts receivable	(69,345)	136,920
(Increase) decrease in inventory	21,697	54,932
(Increase) decrease in prepaids	5,814	(33,104)
Increase (decrease) in accounts payable and accruals	23,459	(847)
Increase (decrease) in deferred revenue	(247,103)	500,227
Net cash flows from operating activities	(156,242)	(372,410)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Marketable securities proceeds (purchases)	(335,833)	1,131,073
Purchases of property and equipment	(60,734)	(506,249)
Net cash flows from investing activities	(396,567)	624,824
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on debt	(197,396)	(192,948)
Collections of contributions restricted for long-term purposes	-	20,000
Net cash flows from financing activities	(197,396)	(172,948)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(750,205)	79,466
Beginning of year	1,501,194	1,421,728
End of year	\$ 750,989	\$ 1,501,194
RECONCILIATION OF CASH BALANCE:		
Cash and cash equivalents	\$ 670,989	\$ 1,396,194
Cash restricted for long-term purposes	80,000	105,000
	\$ 750,989	\$ 1,501,194
SUPPLEMENTAL INFORMATION:		
Interest expense payments	\$ 32,608	\$ 22,611

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.

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).

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, 2023 and 2022, 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.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all highly liquid temporary investments with a maturity of three months or less. The Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

MARKETABLE SECURITIES

Marketable securities in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the statement of activities. Donated marketable securities are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Investment return is reported net of external and direct internal expenses.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value for marketable securities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, generally accepted accounting principles established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Other significant observable inputs not quoted on active markets, but corroborated by market data
- Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to fair value of the underlying assets

The value on a recurring basis as of June 30, 2023, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded securities	\$ 2,414,895	\$ 2,414,895	\$ -	\$ -

The value on a recurring basis as of June 30, 2022, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded securities	\$ 2,241,725	\$ 2,241,725	\$ -	\$ -

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

FAIR VALUES OF FINANCIAL INSTRUMENTS, continued

Marketable securities consist of the following as of June 30:

	2023	2022
Fixed income funds	\$ 778,634	\$ 661,166
Equity funds	1,491,938	1,385,648
Alternative strategies funds	73,371	127,090
Real estate investment funds	70,952	67,821
	<u>\$ 2,414,895</u>	<u>\$ 2,241,725</u>

Gains and losses from investments are reported in the statements of activities.

RECEIVABLES

Receivables are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and grants with payment dates in future periods, restricted by the donor for specific purposes, or designated for future periods are reported as revenue with donor restrictions that increases that net asset class. Management reviews amounts past due and provides an allowance for those amounts deemed uncollectible. Management has recorded an allowance of \$3,335 and \$5,300 for the years ended June 30, 2023 and 2022, respectively.

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.

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.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT, continued

Property and equipment consist of the following:

	As of June 30,	
	2023	2022
Buildings and improvements	\$ 17,540,469	\$17,445,206
Furniture and equipment	1,522,166	1,500,554
Vehicles	59,403	59,403
Construction in progress	-	80,221
Land	1,781,074	1,781,074
Property and Equipment	20,903,112	20,866,458
Less accumulated depreciation	(9,616,230)	(9,049,538)
Property and Equipment - Net	\$ 11,286,882	\$ 11,816,920

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. For the years ended June 30, 2023 and 2022, the museum collection totaled \$4,273,628 and \$4,223,500, respectively.

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 \$14,213 and \$28,425, respectively, for the years ended June 30, 2023 and 2022.

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.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

PUBLIC SUPPORT AND REVENUE RECOGNITION, continued

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 recognizes revenue from contracts in accordance with Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) using the five-step approach. Revenues are recognized at a point in time.

A significant portion of the Organization's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from nonexchange transactions in advance of barriers being met are recorded as refundable advances.

EXPENSE RECOGNITION

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

ADVERTISING

The Organization charged advertising totaling \$196,266 and \$205,887 to expense during the years ended June 30, 2023 and 2022, respectively. A significant portion of advertising was donated to the Organization. For non-direct response advertising, the Organization's policy is to expense costs as incurred.

CONCENTRATIONS

During the year ended June 30, 2023, the Organization had no revenues from a single source that represented over 10% of its total revenues.

During the year ended June 30, 2022, the Organization received revenue from two sources representing 30% of its total revenues.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	For the year ended June 30,	
	2023	2022
Advertising and publicity	\$ 76,988	\$ 102,892
Legal	56,292	50,044
Puppets *	50,128	75,640
Information technology services	40,194	36,539
Supplies	460	4,226
Other	2,500	2,501
	<u>\$ 226,562</u>	<u>\$ 271,842</u>

* Items indicated above are donor restricted.

The Organization receives various contributed nonfinancial assets in the form of donated advertising, legal services, IT services, supplies, and other items. These contributions are not donor restricted unless otherwise noted.

Contributed advertising relates to advertising received to raise funds and promote programs. These contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar advertising services.

Contributed legal relates to legal services received for general business matters, trademarks, contract review, and other similar services. These contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

Contributed puppets relate to donated puppets and other related items that will be included in the Organization's collection and displayed in the museum. In valuing the donated puppets, the Organization estimated the fair value on the basis of comparable puppets and utilizes a conservative approach.

Contributed IT services relate to services received for general IT matters utilized throughout the Organization. These contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar IT services.

Contributed supplies and other costs primarily relate to donated program supplies, holiday décor, and reception costs. In valuing the donated goods, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for similar products in the United States.

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

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 ADOPTED ACCOUNTING POLICIES

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, ASU No. 2016-02, *Leases* (Topic 842), which 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 provisions of the new standard did not have a material impact on the financial statements of the Organization.

In September 2020, the FASB issued a new accounting standard, ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for contributed Nonfinancial Assets* (Topic 958). The new guidance requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities, separate from contributions of cash or other financial assets. The standard also requires increased disclosure requirements related to contributed nonfinancial assets. The provisions of the new standard did not have a material impact on the financial statements of the Organization aside from increased disclosure.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

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

During the years ended June 30, 2023 and 2022, the United States economy was negatively impacted as a result of the COVID-19 pandemic. As the pandemic continues, the Organization continues to evaluate the financial and organizational impact of the economic uncertainty.

On March 26, 2021, the Organization obtained a \$442,625 loan under the second round of 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 over a period of time. If certain conditions are met under the programs' loan use guidelines, the loan can be forgiven.

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. During the year ended June 30, 2022, the Organization applied for and received full forgiveness from its lender for the PPP round 2 and recognized \$443,563 of revenue related to the original loan and accrued interest.

In a prior year, the Organization was shut down as a result of a government mandate. As a result, the Organization was eligible for assistance via the Employee Retention Credit (ERC). The Organization applied for the credit and recognized refund revenue in a prior year. The Organization received partial payment during the year ended June 30, 2022, and the remaining payment during the year June 30, 2023.

During the year ended June 30, 2023, the Organization performed an analysis and determine it was eligible for an additional quarter of ERC. The Organization applied for the credit and recognized refund revenue of \$223,949 in the year ended June 30, 2023, and expects full payment in the subsequent year.

During the year of June 30, 2022, the Organization received a Shuttered Venue Operators Grant award in the amount of \$904,167. In accordance with GAAP, the award is considered a contingent grant until the funds are expended. In the year ended June 30, 2022, the Organization expended all appropriate costs and recognized the entire grant amount as revenue during the year of June 30, 2022.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS

Amounts required to be invested in perpetuity:

	As of June 30,	
	2023	2022
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	4,273,628	4,223,500
	\$ 5,981,423	\$ 5,931,295

- (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)

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 6/30/21	\$ 1,213,028	\$ 1,707,795	\$ 2,920,823
Interest and dividends earned	131,191	-	131,191
Management fees	(12,741)	-	(12,741)
Realized and unrealized gains (loss)	(556,484)	-	(556,484)
Withdrawals	(100,000)	-	(100,000)
Balance at 6/30/22	674,994	1,707,795	2,382,789
Interest and dividends earned	73,890	-	73,890
Management fees	(11,569)	-	(11,569)
Realized and unrealized gains (loss)	162,663	-	162,663
Withdrawals	(100,000)	-	(100,000)
Balance at 6/30/23	\$ 799,978	\$ 1,707,795	\$ 2,507,773

* \$92,878 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 as of June 30, 2023.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS, continued

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.

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.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS, continued

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

	As of June 30,	
	2023	2022
Capital campaign purpose related to facility expansion/renovation	\$ 55,000 *	\$ 70,000
Artistic purposes – accum. earnings on artistic endowment	388,516	283,940
Operating – accum. earnings on general endowment	411,462	391,054
Field trips	15,000	5,000
Website redesign	15,000 *	15,000
Education	25,000	25,000
Museum	25,000	70,000
Future years operations – long-term	10,000 *	20,000
Future year operations – short-term	95,000	135,000
Marketing	15,000	15,000
Puppetry Now	25,000	15,000
Other	55,905	93,442
	<u>\$ 1,135,883</u>	<u>\$ 1,138,436</u>

*Donor-imposed restrictions that limit their use to long term purposes are reflected as noncurrent assets.

NOTE 3 – DEBT

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 2024. 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 as of June 30, 2023 was 6.75%. The outstanding balance as of June 30, 2023 was \$399,832.

In a prior year, the Organization obtained a \$150,000 promissory note payable with the US Small Business Administration. The note is collateralized by all tangible and intangible personal property. Under the terms of the agreement, the note is payable in monthly installments, the annual interest rate is 2.75%, and the note matures in 30 years. During the year ended June 30, 2022, the SBA extended payment terms resulting in the first payment due in the year ended June 30, 2023. In accordance with the loan agreement, all payments would first apply to interest accrued during this deferment period. As of June 30, 2023, the current amount due is \$3,060 with the remaining principal balance of \$146,940 being considered long-term. Included in the long-term liabilities balance is \$9,656 of accrued interest.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – DEBT, continued

Future maturities of the note payable are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 3,060
2025	3,145
2026	3,233
2027	3,621
2028	3,721
Thereafter	<u>133,220</u>
Total	<u>\$ 150,000</u>

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. In December 2021, the Organization's board approved a retirement match of up to 2%. The plan is underwritten and maintained by an outside party. During the years ended June 30, 2023 and 2022, total employer's contributions to the plan were \$20,706 and \$8,820, respectively.

NOTE 6 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$1,760,149 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 \$670,989, marketable securities of \$707,100, receivables of \$352,015, and inventory of \$30,045. 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 \$1,055,883 with donor-imposed restrictions that are available to be used in the next year. 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.