CENTER FOR PUPPETRY ARTS, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

CENTER FOR PUPPETRY ARTS, INC.

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Dunwoody, Georgia
December 17, 2024

CENTER FOR PUPPETRY ARTS, INC.
Statements of Financial Position

	As of June 30, 2024	As of June 30, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 342,896	$ 670,989
Marketable securities	926,156	707,100
Contributions and other receivables, less reserve of of $8,277 and $3,335, respectively	100,324	31,566
Grants and contracts receivable	321,609	320,449
Inventory	36,598	30,045
Prepaids	46,081	75,353
Total Current Assets	1,773,664	1,835,502
CASH RESTRICTED FOR LONG TERM PURPOSES (NOTE 2)	-	80,000
ASSETS RESTRICTED FOR ENDOWMENTS:		
Marketable securities	1,707,795	1,707,795
PROPERTY AND EQUIPMENT- NET	10,884,536	11,286,882
MUSEUM COLLECTION (NOTE 2)	4,496,222	4,273,628
TOTAL ASSETS	$ 18,862,217	$ 19,183,807
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 593,244	$ 254,226
Deferred revenue	278,374	341,900
Line of credit (Note 3)	499,832	399,832
Current maturities of notes payable (Note 3)	-	3,060
Total Current Liabilities	1,371,450	999,018
NOTES PAYABLE, LESS CURRENT MATURITIES (NOTE 3)	156,290	156,596
LONG-TERM DEFERRED REVENUE	-	19,231
Total Liabilities	1,527,740	1,174,845
NET ASSETS (NOTE 2):		
Net Assets Without Donor Restrictions	9,865,492	10,891,656
Net Assets With Donor Restrictions:		
Restricted by purpose or time	1,264,968	1,135,883
Restricted in perpetuity	6,204,017	5,981,423
Total Net Assets With Donor Restrictions	7,468,985	7,117,306
Total Net Assets	17,334,477	18,008,962
TOTAL LIABILITIES AND NET ASSETS	$ 18,862,217	$ 19,183,807

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
PUBLIC SUPPORT:			
Contributions of cash and other financial assets	$ 598,830	$ 465,674	$ 1,064,504
Contributions of nonfinancial assets	137,715	222,594	360,309
Grants and contracts	214,510	-	214,510
Total Public Support	951,055	688,268	1,639,323
REVENUE:			
Performances	1,103,217	-	1,103,217
Museum	607,389	-	607,389
Education	459,908	-	459,908
Special events, net of direct benefits costs of $38,390	230,668	-	230,668
Gift shop	315,620	-	315,620
Interest and dividends	-	85,052	85,052
Gain (loss) on marketable securities	-	270,589	270,589
Other revenue	377,445	-	377,445
Total Revenue	3,094,247	355,641	3,449,888
Total Public Support and Revenue before Transfers	4,045,302	1,043,909	5,089,211
Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements	692,230	(692,230)	-
Total Public Support and Revenue	4,737,532	351,679	5,089,211
EXPENSES:			
Program	4,366,167	-	4,366,167
Management and general	1,053,535	-	1,053,535
Fundraising	343,994	-	343,994
Total Expenses	5,763,696	-	5,763,696
Net Changes in Net Assets	(1,026,164)	351,679	(674,485)
NET ASSETS:			
Beginning of Year	10,891,656	7,117,306	18,008,962
End of Year	$ 9,865,492	$ 7,468,985	$ 17,334,477

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

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
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	1,040,752	410,261	1,451,013
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	3,032,945	236,553	3,269,498
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	599,239	(599,239)	-
Total Public Support and Revenue	4,672,936	47,575	4,720,511
EXPENSES:			
Program	4,123,718	-	4,123,718
Management and general	866,576	-	866,576
Fundraising	344,172	-	344,172
Total Expenses	5,334,466	-	5,334,466
Net Changes in Net Assets	(661,530)	47,575	(613,955)
NET ASSETS:			
Beginning of Year	11,553,186	7,069,731	18,622,917
End of Year	$ 10,891,656	$ 7,117,306	$ 18,008,962

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, 2024

	Program	Management and General	Fundraising	Total
Compensation and related	$ 2,461,264	$ 564,489	$ 242,860	$ 3,268,613
Outside services	299,655	71,331	19,265	390,251
Marketing	96,701	165,848	13,818	276,367
Office	16,133	3,701	1,592	21,426
Supplies	169,920	1,963	12,961	184,844
Store Inventory	124,461	-	-	124,461
Occupancy	165,683	4,350	2,174	172,207
Travel	62,597	1,303	5,084	68,984
Insurance	110,304	2,896	1,447	114,647
Interest	31,656	831	415	32,902
Depreciation and amortization	501,551	13,167	6,579	521,297
Telecommunications	11,979	2,747	1,182	15,908
Postage and printing	4,565	3,491	7,172	15,228
Bank charges	-	95,952	-	95,952
Network fees	77,855	-	-	77,855
Royalties	112,383	-	-	112,383
Bad Debt	4,947	11,542	-	16,489
Regrants	3,000	-	-	3,000
Donated goods and services	46,027	85,244	6,444	137,715
Other	65,486	24,680	23,001	113,167
Total expenses	$ 4,366,167	$ 1,053,535	$ 343,994	$ 5,763,696

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

	Program	Management and General	Fundraising	Total
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	$ 4,123,718	$ 866,576	$ 344,172	$ 5,334,466

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, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes In net assets	$ (674,485)	$ (613,955)
Adjustments to changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	521,297	580,905
Realized/unrealized loss (gain) on marketable securities	270,589	162,663
Donated museum collection items	(222,594)	(50,128)
Loss (gain) on disposal of fixed assets	-	24,080
Bad debt provision	16,489	5,671
(Increase) decrease in accounts receivable	(86,407)	(69,345)
(Increase) decrease in inventory	(6,553)	21,697
(Increase) decrease in prepaids	29,272	5,814
Increase (decrease) in accounts payable and accruals	339,018	23,459
Increase (decrease) in deferred revenue	(82,757)	(247,103)
Net cash flows from operating activities	103,869	(156,242)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Marketable securities proceeds (purchases)	(489,645)	(335,833)
Purchases of property and equipment	(118,951)	(60,734)
Net cash flows from investing activities	(608,596)	(396,567)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds received from debt	200,000	5,167
Payments on debt	(103,366)	(202,563)
Net cash flows from financing activities	96,634	(197,396)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(408,093)	(750,205)
Beginning of year	750,989	1,501,194
End of year	$ 342,896	$ 750,989
RECONCILIATION OF CASH BALANCE:		
Cash and cash equivalents	$ 342,896	$ 670,989
Cash restricted for long-term purposes	-	80,000
	$ 342,896	$ 750,989
SUPPLEMENTAL INFORMATION:		
Interest expense payments	$ 32,910	$ 32,608

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, 2024 and 2023, 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, 2024, is as follows:

	Total	Level 1	Level 2	Level 3
Publicly traded securities	$ 2,633,951	$ 2,633,951	$ -	$ -

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

	Total	Level 1	Level 2	Level 3
Publicly traded securities	$ 2,414,895	$ 2,414,895	$ -	$ -

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:

	2024	2023
Fixed income funds	$ 893,796	$ 778,634
Equity funds	1,576,714	1,491,938
Alternative strategies funds	82,118	73,371
Real estate investment funds	81,323	70,952
	$ 2,633,951	$ 2,414,895

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

CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other 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 $8,227 and $3,335 for the years ended June 30, 2024 and 2023, respectively.

GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represent amounts due from state, local, and federal agencies for various programs. Management reviews amounts past due and provides an allowance for those amounts deemed uncollectible. Management considers all accounts collectible as of June 30, 2024 and 2023.

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.

PROPERTY AND EQUIPMENT, continued

Property and equipment consist of the following as of June 30:

	2024	2023
Buildings and improvements	$ 17,623,390	$17,540,469
Furniture and equipment	1,558,196	1,522,166
Vehicles	43,161	59,403
Land	1,781,074	1,781,074
Property and Equipment	21,005,821	20,903,112
Less accumulated depreciation	(10,121,285)	(9,616,230)
Property and Equipment - Net	$ 10,884,536	$ 11,286,882

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, 2024 and 2023, the museum collection totaled $4,496,222 and $4,273,628, 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 for the year ended June 30, 2023, and the website was fully depreciated.

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.

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 $382,849 and $196,266 to expense during the years ended June 30, 2024 and 2023, 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.

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,	
	2024	2023
Advertising and publicity	$ 106,480	$ 76,988
Legal	21,345	56,292
Puppets *	222,594	50,128
Information technology services	6,265	40,194
Supplies	2,505	460
Other	1,120	2,500
	$ 360,309	$ 226,562

* 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

Leases

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.

Contributed Nonfinancial Assets

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.

Financial Instruments – Credit Losses

In June 2016, the FASB issued a new accounting standard, ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted the standard effective July 1, 2023. All material receivables owed to the Organization did not fall under the required credit loss considerations of ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326). Therefore, the provisions of the new standard did not have a material impact on the financial statements of the Organization. No additional disclosures are considered necessary.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ECONOMIC UNCERTAINTY DUE TO COVID-19 PANDEMIC

In a prior year, the United States economy was negatively impacted as a result of the COVID-19 pandemic. The Organization continues to evaluate the financial and organizational impact of the economic uncertainty.

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.

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS

Amounts required to be invested in perpetuity:

	As of June 30,	
	2024	2023
General endowment fund (a)	$ 402,500	$ 402,500
Artistic endowment fund (b)	945,918	945,918
Barbara Wylly endowment fund (c)	209,377	209,377
Goizueta Foundation endowment (b)	150,000	150,000
Museum collection	4,496,222	4,273,628
	$ 6,204,017	$ 5,981,423

(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 Wylly 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:

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS, continued

	Restricted for specified purpose		Restricted in perpetuity	Total
Balance at 6/30/2022	$ 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 6/30/2023	799,978		1,707,795	2,507,773
Interest and dividends earned	85,052		-	85,052
Management fees	(11,977)		-	(11,977)
Realized and unrealized gains (loss)	270,589		-	270,589
Withdrawals	(175,000)		-	(175,000)
Balance at 6/30/2024	$ 968,642	*	$ 1,707,795	$ 2,676,437

* $42,486 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, 2024.

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.

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS, concluded

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

	As of June 30, 2024	As of June 30, 2023	
Artistic purposes – accum. earnings on artistic endowment	$ 503,787	$ 388,516	
Operating – accum. earnings on general endowment	464,855	411,462	
Productions	70,125	-	
Facility renovation and repairs	58,236	-	
Children's programming	50,000	-	
Fiscal year 2025 operations	35,000	10,000	*
Distance learning/education	32,000	25,000	
Other	25,965	55,905	
Museum	25,000	25,000	
Capital campaign purpose related to facility expansion/renovation	-	55,000	*
Field trips	-	15,000	
Website redesign	-	15,000	*
Fiscal year 2024 operations	-	95,000	
Marketing	-	15,000	
Puppetry Now	-	25,000	
	$ 1,264,968	$ 1,135,883	

*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 2025. 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, 2024 was 7%. The outstanding balance as of June 30, 2024 was $499,832.

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. In a prior year, 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, 2024, the full loan amount is considered long-term. Included in the long-term liabilities balance is $6,290 of accrued interest.

NOTE 3 – DEBT, continued

Future maturities of the note payable are as follows:

Year Ending June 30,	
2025	$ 499,832
2026	445
2027	3,625
2028	3,726
2029	3,829
Thereafter	138,375
Total	$ 649,832

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. 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, 2024 and 2023, total employer's contributions to the plan were $25,135 and $20,706, respectively.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LIQUIDITY AND FUNDS AVAILABLE

Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the contractual or donor-imposed restrictions. The following table reflects the Organization's financial assets, reduced by amounts not available for general expenditure within one year, as of June 30:

	2024	2023
Financial assets		
Cash and cash equivalents	$ 342,896	$ 670,989
Marketable securities	926,156	707,100
Contributions and other receivables	100,324	31,566
Grants and contracts receivable	321,609	320,449
Total financial assets	1,690,985	1,730,104
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	(1,229,968)	(1,040,883)
Financial assets available to meet cash needs for general expenditures within one year	$ 461,017	$ 689,221

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Funds restricted by donors that are part of the Organization's ongoing operations are considered to be financial assets available to meet cash needs for general expenditures. The Organization has a $800,000 line of credit as discussed in Note 3. As part of the Organization's liquidity management, it has established guidelines for making decisions related to management short term cash reserves in a prudent manner.