

CENTER FOR PUPPETRY ARTS, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

CENTER FOR PUPPETRY ARTS, INC.

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Bled & Hazel, LLC

Lilburn, Georgia
December 12, 2025

CENTER FOR PUPPETRY ARTS, INC.
Statements of Financial Position

	As of June 30,	
	2025	2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 266,849	\$ 342,896
Marketable securities	852,174	926,156
Contributions and other receivables, less reserve of of \$334 and \$8,277, respectively	40,543	100,324
Grants and contracts receivable	10,100	321,609
Inventory	45,330	36,598
Prepays	58,641	46,081
Total Current Assets	1,273,637	1,773,664
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	10,443,079	10,884,536
MUSEUM COLLECTION (NOTE 2)	4,552,867	4,496,222
TOTAL ASSETS	\$ 18,057,378	\$ 18,862,217
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 326,927	\$ 593,244
Deferred revenue (Note 3)	122,481	278,374
Line of credit (Note 4)	505,787	499,832
Current maturities of notes payable (Note 4)	3,564	-
Total Current Liabilities	958,759	1,371,450
NOTES PAYABLE, LESS CURRENT MATURITIES (NOTE 4)	148,175	156,290
Total Liabilities	1,106,934	1,527,740
NET ASSETS (NOTE 2):		
Net Assets Without Donor Restrictions	9,452,664	9,865,492
Net Assets With Donor Restrictions:		
Restricted by purpose or time	1,237,118	1,264,968
Restricted in perpetuity	6,260,662	6,204,017
Total Net Assets With Donor Restrictions	7,497,780	7,468,985
Total Net Assets	16,950,444	17,334,477
TOTAL LIABILITIES AND NET ASSETS	\$ 18,057,378	\$ 18,862,217

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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
PUBLIC SUPPORT:			
Contributions of cash and other financial assets	\$ 559,235	\$ 551,165	\$ 1,110,400
Contributions of nonfinancial assets	152,473	56,645	209,118
Grants and contracts	141,100	-	141,100
Total Public Support	852,808	607,810	1,460,618
REVENUE:			
Performances	1,286,356	-	1,286,356
Museum	709,978	-	709,978
Education	419,985	-	419,985
Special events, net of direct benefits costs of \$49,237	304,303	-	304,303
Gift shop	356,684	-	356,684
Interest and dividends, net of fees	59,735	76,391	136,126
Gain (loss) on marketable securities	-	189,162	189,162
Other revenue	250,032	-	250,032
Total Revenue	3,387,073	265,553	3,652,626
Total Public Support and Revenue before Transfers	4,239,881	873,363	5,113,244
Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements	844,568	(844,568)	-
Total Public Support and Revenue	5,084,449	28,795	5,113,244
EXPENSES:			
Program	4,175,026	-	4,175,026
Management and general	962,424	-	962,424
Fundraising	359,827	-	359,827
Total Expenses	5,497,277	-	5,497,277
Net Changes in Net Assets	(412,828)	28,795	(384,033)
NET ASSETS:			
Beginning of Year	9,865,492	7,468,985	17,334,477
End of Year	\$ 9,452,664	\$ 7,497,780	\$ 16,950,444

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	\$ 598,715	\$ 465,674	\$ 1,064,389
Contributions of nonfinancial assets	137,715	222,594	360,309
Grants and contracts	214,510	-	214,510
Total Public Support	<u>951,055</u>	<u>688,268</u>	<u>1,639,323</u>
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, net of fees	-	73,075	73,075
Gain (loss) on marketable securities	-	270,589	270,589
Other revenue	377,445	-	377,445
Total Revenue	<u>3,094,247</u>	<u>343,664</u>	<u>3,437,911</u>
Total Public Support and Revenue before Transfers	4,045,302	1,031,932	5,077,234
Net Assets Released from Restrictions Due to Satisfaction of Donor-imposed Requirements	<u>680,253</u>	<u>(680,253)</u>	<u>-</u>
Total Public Support and Revenue	<u>4,725,555</u>	<u>351,679</u>	<u>5,077,234</u>
EXPENSES:			
Program	4,366,167	-	4,366,167
Management and general	1,041,558	-	1,041,558
Fundraising	343,994	-	343,994
Total Expenses	<u>5,751,719</u>	<u>-</u>	<u>5,751,719</u>
Net Changes in Net Assets	(1,026,164)	351,679	(674,485)
NET ASSETS:			
Beginning of Year	<u>10,891,656</u>	<u>7,117,306</u>	<u>18,008,962</u>
End of Year	<u>\$ 9,865,492</u>	<u>\$ 7,468,985</u>	<u>\$ 17,334,477</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, 2025**

	Program	Management and General	Fundraising	Total
Compensation and related	\$ 2,228,948	\$ 530,603	\$ 241,591	\$ 3,001,142
Outside services	482,296	75,793	30,458	588,547
Marketing	59,402	114,234	9,139	182,775
Office	14,451	3,440	1,566	19,457
Supplies	94,604	1,941	16,567	113,112
Store Inventory	132,558	-	-	132,558
Occupancy	190,373	4,997	2,498	197,868
Travel	20,212	832	3,785	24,829
Insurance	114,229	2,999	1,498	118,726
Interest	43,107	1,132	566	44,805
Depreciation and amortization	474,071	12,445	6,219	492,735
Telecommunications	13,934	3,317	1,510	18,761
Postage and printing	4,865	4,846	6,000	15,711
Bank charges	-	88,412	-	88,412
Network fees	81,147	-	-	81,147
Royalties	140,347	-	-	140,347
Bad Debt	578	1,348	-	1,926
Regrants	4,000	-	-	4,000
Donated goods and services	34,584	101,725	16,165	152,474
Other	41,320	14,360	22,265	77,945
Total expenses	<u>\$ 4,175,026</u>	<u>\$ 962,424</u>	<u>\$ 359,827</u>	<u>\$ 5,497,277</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, 2024

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	12,703	23,001	101,190
Total expenses	<u>\$ 4,366,167</u>	<u>\$ 1,041,558</u>	<u>\$ 343,994</u>	<u>\$ 5,751,719</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,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes In net assets	\$ (384,033)	\$ (674,485)
Adjustments to changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	492,735	521,297
Realized/unrealized loss (gain) on marketable securities	(189,162)	(270,589)
Non-cash interest and dividends reinvested, net of fees	(76,391)	(73,075)
Contributions restricted for long term purposes	(80,000)	-
Donated museum collection items	(56,645)	(222,594)
Bad debt provision	1,926	16,489
(Increase) decrease in accounts receivable	369,364	(86,407)
(Increase) decrease in inventory	(8,732)	(6,553)
(Increase) decrease in prepaids	(12,560)	29,272
Increase (decrease) in accounts payable and accruals	(266,317)	339,018
Increase (decrease) in deferred revenue	(155,893)	(82,757)
Net cash flows from operating activities	(365,708)	(510,384)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Marketable securities proceeds (purchases)	339,535	124,608
Purchases of property and equipment	(51,279)	(118,951)
Net cash flows from investing activities	288,256	5,657
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds received from debt	406,184	200,000
Payments on debt	(404,779)	(103,366)
Collections of contributions restricted for long-term purposes	80,000	-
Net cash flows from financing activities	81,405	96,634
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,953	(408,093)
Beginning of year	342,896	750,989
End of year	<u>\$ 346,849</u>	<u>\$ 342,896</u>
RECONCILIATION OF CASH BALANCE:		
Cash and cash equivalents	\$ 266,849	\$ 342,896
Cash restricted for long-term purposes	80,000	-
	<u>\$ 346,849</u>	<u>\$ 342,896</u>
SUPPLEMENTAL INFORMATION:		
Interest expense payments	\$ 44,812	\$ 32,910

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, depreciation, 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, 2025 and 2024, 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

Investments 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, 2025, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded securities	\$ 2,559,969	\$ 2,559,969	\$ -	\$ -

The value on a recurring basis as of June 30, 2024, is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded securities	\$ 2,633,951	\$ 2,633,951	\$ -	\$ -

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:

	2025	2024
Fixed income mutual funds	\$ 596,316	\$ 893,796
Equity mutual funds	1,746,834	1,576,714
Alternative strategies mutual funds	150,537	82,118
Tangible assets mutual funds	66,282	-
Real estate investment mutual funds	-	81,323
	<u>\$ 2,559,969</u>	<u>\$ 2,633,951</u>

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

CONTRIBUTIONS AND OTHER RECEIVABLES

Unconditional promises to give and other receivables are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give 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 \$334 and \$8,227 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024.

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 purchases over \$1,000 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. Costs of maintenance and repairs that do not improve or extend useful lives of the respective assets are expensed currently.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT, continued

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

	2025	2024
Buildings and improvements	\$ 17,660,689	\$17,623,390
Furniture and equipment	1,572,175	1,558,196
Vehicles	43,161	43,161
Land	1,781,074	1,781,074
Property and Equipment	21,057,099	21,005,821
Less accumulated depreciation	(10,614,020)	(10,121,285)
Property and Equipment - Net	\$ 10,443,079	\$ 10,884,536

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, 2025 and 2024, the museum collection totaled \$4,552,867 and \$4,496,222, 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. The website was fully depreciated in a prior year.

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 \$289,186 and \$382,849 to expense during the years ended June 30, 2025 and 2024, 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,	
	2025	2024
Advertising and publicity	\$ 106,412	\$ 106,480
Legal	35,217	21,345
Puppets *	56,645	222,594
Receptions	10,844	1,120
Information technology services	-	6,265
Supplies	-	2,505
	<u>\$ 209,118</u>	<u>\$ 360,309</u>

* Items indicated above are donor restricted.

The Organization receives various contributed nonfinancial assets in the form of donated advertising, legal services, puppets, reception costs, 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 reception costs primarily relate to donated gift cards, food, and beverages. 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.

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.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

CONTRIBUTED NONFINANCIAL ASSETS, continued

Contributed supplies primarily relate to donated program supplies and holiday décor. 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.

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.

CENTER FOR PUPPETRY ARTS, INC.

SUMMARY OF ACCOUNTING POLICIES

RECENTLY ADOPTED ACCOUNTING POLICIES, continued

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 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, recognized refund revenue, and received all payments in a prior year.

In a prior year, the Organization performed an analysis and determined it was eligible for an additional quarter of ERC. The Organization applied for the credit and recognized refund revenue of \$223,949 in a prior year and received full payment plus interest during the year ended June 30, 2025.

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS

Amounts required to be invested in perpetuity:

	As of June 30,	
	2025	2024
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	4,552,867	4,496,222
	<u>\$ 6,260,662</u>	<u>\$ 6,204,017</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 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:

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS, continued

	Restricted for specified purpose	Restricted in perpetuity	Total
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	<u>(175,000)</u>	<u>-</u>	<u>(175,000)</u>
Balance at 6/30/2024	968,642	1,707,795	2,676,437
Interest and dividends earned	91,322	-	91,322
Management fees	(14,931)	-	(14,931)
Realized and unrealized gains (loss)	189,162	-	189,162
Withdrawals	<u>(295,000)</u>	<u>-</u>	<u>(295,000)</u>
Balance at 6/30/2025	<u>\$ 939,195</u> *	<u>\$ 1,707,795</u>	<u>\$ 2,646,990</u>

* \$87,021 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, 2025.

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, concluded

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

	As of June 30,	
	2025	2024
Artistic purposes – accum. earnings on artistic endowment	\$ 486,022	\$ 503,787
Operating – accum. earnings on general endowment	453,173	464,855
Equipment	80,000 *	-
Artistic development	65,453	-
Children's programming	50,000	50,000
Museum	37,500	25,000
Education	35,000	32,000
Other	23,658	25,965
Facility renovation and repairs	6,312	58,236
Productions	-	70,125
Fiscal year 2025 operations	-	35,000
	<u>\$ 1,237,118</u>	<u>\$ 1,264,968</u>

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

NOTE 3 – DEFERRED REVENUE

As of June 30, 2025 and 2024, deferred revenue primarily consists of amounts received in advance for performances and events to be held in the subsequent fiscal year. Revenue will be recognized in the period in which the performance or event occurs and the related performance obligations are satisfied. Deferred revenue also includes gift certificates purchased but unredeemed. Revenue will be recognized in the period in which the gift certificates are redeemed.

Deferred revenue activity for the years ended June 30:

	2025	2024
Balance, beginning of year	\$ 278,374	\$ 361,131
Cash received in advance for future obligations	122,481	278,374
Revenue recognized from prior year advances	<u>(278,374)</u>	<u>(361,131)</u>
Balance, end of year	<u>\$ 122,481</u>	<u>\$ 278,374</u>

The table above does not include amounts both received and recognized during the years ended June 30, 2025 and 2024.

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – DEFERRED REVENUE, continued

Deferred revenue includes contract liabilities under ASC 606, *Revenue from Contracts with Customers*. Contract liabilities represent advance payments for exchange transactions, such as hosting an event or holding a performance.

NOTE 4 – DEBT

The Organization held an \$800,000 line of credit from a bank. The line of credit was secured by all assets, interest was payable monthly at the bank's prime rate minus 1.5 percent with the principal payable in full at maturity, and matured in January 2025.

During the year ended June 30, 2025, the Organization transferred the balance to a private credit line provided by a bank. Under the terms of the new agreement, the Organization has a \$1,200,000 credit limit, is secured by all assets, and matures at the lender's discretion. Interest is payable monthly at the daily SOFR plus the applicable margin of 3%. The interest rate as of June 30, 2025, was 7.5%. The outstanding balance as of June 30, 2025, was \$505,787.

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. Included in the long-term liabilities balance is \$1,739 of accrued interest.

Future maturities of the note payable are as follows:

<u>Year Ending June 30,</u>	
2026	\$ 509,351
2027	3,663
2028	3,765
2029	3,870
2030	3,978
Thereafter	<u>132,899</u>
Total	<u>\$ 657,526</u>

CENTER FOR PUPPETRY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – 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 6 – 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, 2025 and 2024, total employer's contributions to the plan were \$21,154 and \$25,135, respectively.

NOTE 7 – 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:

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	\$ 266,849	\$ 342,896
Marketable securities	852,174	926,156
Contributions and other receivables	40,543	100,324
Grants and contracts receivable	<u>10,100</u>	<u>321,609</u>
Total financial assets	1,169,666	1,690,985
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	<u>(1,157,118)</u>	<u>(1,229,968)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,548</u>	<u>\$ 461,017</u>

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 \$1,200,000 line of credit as discussed in Note 4. 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.

CENTER FOR PUPPETRY ARTS, INC.

**SCHEDULE OF STATE OF GEORGIA CONTRACTS
For the Year Ended June 30, 2025**

<u>State Agency</u>	<u>Contract #</u>	<u>Received and Expended</u>
Georgia Council for the Arts	23201001	\$ 8,000
Georgia Council for the Arts	3YNEI	<u>36,000</u>
		<u>\$ 44,000</u>

Basis of Presentation

Note: This schedule is prepared using the accrual basis of accounting.