

The Dunedin Fine Art Center, Inc.
Financial Statements

September 30, 2019 and 2018



THE DUNEDIN FINE ART CENTER, INC.
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT3 - 4

Financial Statements for the Years Ended
September 30, 2019 and 2018:

Statements of Financial Position 5

Statements of Activities 6 - 7

Statement of Functional Expenses 8

Statements of Cash Flows 9

Notes to Financial Statements 10 - 25



Oldsmar / Tampa / St. Petersburg

727-785-4447
813-498-1294
727-784-5491 Fax

www.pdr-cpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Dunedin Fine Art Center, Inc.
Dunedin, Florida

We have audited the accompanying financial statements of The Dunedin Fine Art Center, Inc. (DFAC), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended September 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dunedin Fine Art Center, Inc. as of September 30, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended, and its functional expenses for the year ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited DFAC's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDR CPAs + Advisors

Oldsmar, Florida
January 9, 2020

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS

	2019	2018
Assets		
Cash and cash equivalents	\$ 247,654	\$ 20,940
Restricted cash	62,254	183,970
Investments	1,972,217	2,007,723
Grants and other receivables	8,596	4,856
Promises to give, net	5,893	35,116
Inventory	5,904	6,003
Prepaid expenses	372	2,405
Property and equipment, net	118,439	116,082
Investments - permanent endowment	830,351	830,351
Unamortized leasehold interest	5,609,283	5,331,570
	\$ 8,860,963	\$ 8,539,016
	\$ 8,860,963	\$ 8,539,016

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 63,122	\$ 39,040
Deferred income	169,518	142,598
Accrued expenses	52,109	34,493
	284,749	216,131
	284,749	216,131
Net Assets		
Without donor restrictions:		
Net assets without donor restrictions, including \$1,727,217 and \$2,007,723 of board designated funds, respectively	1,927,700	1,844,128
Property and equipment	118,439	116,082
	2,046,139	1,960,210
	2,046,139	1,960,210
With donor restrictions	6,530,075	6,362,675
	8,576,214	8,322,885
	8,576,214	8,322,885
Total Liabilities and Net Assets	\$ 8,860,963	\$ 8,539,016

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2019</u>	<u>2018</u>
Operating Support and Revenue				
Membership	\$ 95,709	\$ -	\$ 95,709	\$ 92,083
Education	933,864	-	933,864	885,070
Gallery Shop sales (net of costs of goods sold of \$59,439)	35,750	-	35,750	34,235
Exhibition sponsorships (net of direct costs of \$21,337)	55,345	-	55,345	32,058
Special events (net of direct costs of \$147,679)	240,958	-	240,958	246,001
Grant income	16,428	-	16,428	40,997
Contributions	571,828	497,913	1,069,741	1,906,522
Program support sponsorships	10,950	-	10,950	2,512
Investment income, net	-	61,693	61,693	45,171
Net realized and unrealized gain on investments	-	40,222	40,222	98,752
In-kind donations	391,431	-	391,431	359,626
Other	60,302	-	60,302	73,946
Net assets released from restrictions	<u>1,017,855</u>	<u>(1,017,855)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	3,430,420	(418,027)	3,012,393	3,816,973
Operating Expenses				
Program service:				
Art education and cultural awareness	2,187,811	-	2,187,811	2,033,179
Support services:				
Management and general	256,695	-	256,695	248,596
Fundraising	<u>314,558</u>	<u>-</u>	<u>314,558</u>	<u>306,144</u>
Total operating expenses	<u>2,759,064</u>	<u>-</u>	<u>2,759,064</u>	<u>2,587,919</u>
Change in Net Assets Before Other Changes	671,356	(418,027)	253,329	1,229,054
Other Changes				
Donation - City of Dunedin	<u>(585,427)</u>	<u>585,427</u>	<u>-</u>	<u>-</u>
Change in Net Assets	85,929	167,400	253,329	1,229,054
Net Assets, Beginning of Year	<u>1,960,210</u>	<u>6,362,675</u>	<u>8,322,885</u>	<u>7,093,831</u>
Net Assets, End of Year	<u>\$ 2,046,139</u>	<u>\$ 6,530,075</u>	<u>\$ 8,576,214</u>	<u>\$ 8,322,885</u>

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Membership	\$ 92,083	\$ -	\$ 92,083
Education	885,070	-	885,070
Gallery Shop sales (net of costs of goods sold of \$47,790)	34,235	-	34,235
Exhibition sponsorships (net of direct costs of \$10,634)	32,058	-	32,058
Special events (net of direct costs of \$97,362)	246,001	-	246,001
Grant income	40,997	-	40,997
Contributions	1,550,321	356,201	1,906,522
Program support sponsorships	2,512	-	2,512
Investment income, net	-	45,171	45,171
Net realized and unrealized gain on investments	-	98,752	98,752
In-kind donations	359,626	-	359,626
Other	73,946	-	73,946
Net assets released from restrictions	<u>744,778</u>	<u>(744,778)</u>	<u>-</u>
Total operating support and revenue	4,061,627	(244,654)	3,816,973
Operating Expenses			
Program service:			
Art education and cultural awareness	2,033,179	-	2,033,179
Support services:			
Management and general	248,596	-	248,596
Fundraising	<u>306,144</u>	<u>-</u>	<u>306,144</u>
Total operating expenses	<u>2,587,919</u>	<u>-</u>	<u>2,587,919</u>
Change in Net Assets	1,473,708	(244,654)	1,229,054
Net Assets, Beginning of Year	<u>486,502</u>	<u>6,607,329</u>	<u>7,093,831</u>
Net Assets, End of Year	<u><u>\$ 1,960,210</u></u>	<u><u>\$ 6,362,675</u></u>	<u><u>\$ 8,322,885</u></u>

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Supporting Services			Total Support Services	Total Expenses	
	Program Services	Management and General	Fund Raising		2019	2018
Salaries and related costs:						
Salaries	\$ 554,157	\$ 89,341	\$ 114,272	\$ 203,613	\$ 757,770	\$ 741,274
Employee benefits	78,351	12,632	16,157	28,789	107,140	110,401
Payroll taxes	41,874	6,751	8,635	15,386	57,260	62,170
Total salaries and related costs	674,382	108,724	139,064	247,788	922,170	913,845
Other expenses:						
Education	520,197	-	-	-	520,197	433,152
Public relations	102,123	16,464	21,058	37,522	139,645	120,522
Administrative	80,581	10,770	-	10,770	91,351	104,942
Utilities and custodial services	46,144	7,439	9,515	16,954	63,098	53,274
Exhibitions costs	61,632	-	-	-	61,632	42,231
Computer	23,074	3,720	4,758	8,478	31,552	37,992
Insurance	24,099	3,885	4,969	8,854	32,953	32,207
Credit card fees	26,199	4,224	5,403	9,627	35,826	27,857
Equipment rental and maintenance	15,731	2,536	3,244	5,780	21,511	26,544
Contract services	33,851	5,457	6,980	12,437	46,288	24,011
Repair and maintenance	9,719	1,567	2,004	3,571	13,290	16,982
Professional fees	12,023	1,938	2,479	4,417	16,440	15,300
Staff training	6,848	1,104	1,412	2,516	9,364	12,192
Office expense	9,726	1,568	2,006	3,574	13,300	11,796
Grants expense	4,992	805	1,030	1,835	6,827	6,615
Dues and subscriptions	4,856	783	1,001	1,784	6,640	5,253
Membership	-	-	7	7	7	4,001
Postage	1,479	239	305	544	2,023	1,191
Total other expense	983,274	62,499	66,171	128,670	1,111,944	976,062
Expenses before in-kind expenses and depreciation and amortization	1,657,656	171,223	205,235	376,458	2,034,114	1,889,907
In-kind expenses	286,253	46,150	59,028	105,178	391,431	360,626
Depreciation and amortization	243,902	39,322	50,295	89,617	333,519	337,386
Total functional expenses	\$ 2,187,811	\$ 256,695	\$ 314,558	\$ 571,253	\$ 2,759,064	\$ 2,587,919

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 253,329	\$ 1,229,054
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	333,519	337,386
Realized gain on investments	(54,727)	(2,236)
Unrealized loss (gain) on investments	14,505	(96,516)
(Increase) decrease in operating assets:		
Grants/other receivables and promises to give, net	25,483	43,425
Inventory	99	(844)
Prepaid expenses	2,033	(1,699)
Increase (decrease) in operating liabilities:		
Accounts payable	24,082	(7,906)
Deferred income	26,920	40,442
Accrued expenses	17,616	7,488
	642,859	1,548,594
 Cash Flows from Investing Activities		
Cash paid for leasehold interest/property and equipment	(613,589)	(29,884)
Purchases of investments	(5,088,423)	(5,782,730)
Proceeds from sale of investments	5,164,151	4,299,179
	(537,861)	(1,513,435)
 Net Increase in Total Cash	104,998	35,159
 Total Cash at Beginning of Year	204,910	169,751
 Total Cash at End of Year	\$ 309,908	\$ 204,910
 Total cash consisted of the following at September 30:		
Cash and cash equivalents	\$ 247,654	\$ 20,940
Restricted cash	62,254	183,970
	\$ 309,908	\$ 204,910
 Supplemental Disclosure of Cash Flow Information		
 Noncash Transactions:		
Donation to City of Dunedin/transfer of leasehold interest	\$ 585,427	\$ -

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE A - NATURE OF OPERATIONS

The Dunedin Fine Art Center, Inc. (DFAC) was organized in 1974 as a not-for-profit corporation under the laws of Florida. DFAC's mission is to offer creative educational experiences in the visual arts. This is done by offering adult and youth art classes at three different campuses. DFAC sponsors exhibitions and shows that are open to the public and provide a lively summer youth camp. Additionally, DFAC provides community outreach for schools and community groups by providing hands-on art projects at schools and events.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of DFAC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require DFAC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of DFAC. These net assets may be used at the discretion of DFAC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of DFAC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions class. Contributions are recognized when the donor makes a promise to give to DFAC, that is, in substance, unconditional.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to DFAC's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include allocation of expenses by function, useful lives of depreciable and amortizable assets, and net present value of promises to give.

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Cash and Cash Equivalents

DFAC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents for purposes of reporting cash flows.

Financial instruments which potentially subject DFAC to concentrations of credit risk consist principally of cash and cash equivalents held in financial institutions in excess of federally-insured limits. From time to time throughout the years ended September 30, 2019 and 2018, DFAC's cash balance may have exceeded the federally insured limit. However, DFAC has not experienced and does not expect to incur any losses in such accounts.

Restricted Cash

Restricted cash consists of amounts received in connection with DFAC's capital projects and amounts received for contributions with restrictions of a temporary nature.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment gains and losses (including realized and unrealized gains and losses on investments, interest and dividends) are included in the accompanying statements of activities.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Promises to give which are due in more than one year are recorded at the present value by discounting future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected contribution collection period. Management reviews outstanding promises to give on an ongoing basis. As of September 30, 2019 and 2018, no allowance was deemed necessary by management.

Inventory

Inventory is stated at the lower of cost or market, on the first-in, first-out (FIFO) basis and consists of merchandise held for sale in the Gallery Shop as well as certain supplies held for consumption during operations.

Property and Equipment

Property and equipment are recorded at cost when purchased or, if donated, at estimated fair value at the date of donation. Improvements and betterments in excess of \$5,000 that materially prolong the useful lives of assets are capitalized. Depreciation is calculated using a straight-line method over the useful lives of the respective assets ranging from three to twenty years.

Unamortized Leasehold Interest

The leasehold interest conveyed to the City of Dunedin (the City) is being amortized on a straight-line basis over the period of benefit of the leasehold rights.

Impairment of Long-Lived Assets

DFAC reviews long-lived assets, including the unamortized leasehold interest, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

DFAC assesses the recoverability of the cost of the asset based on a review of projected undiscounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset.

Revenue Recognition

All contributions, grants, and bequests are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions, including pledges, are recognized as revenue when received, grants when designated, and bequests when the amount can be reasonably estimated and the right to receive the bequest is determinable.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Noncash Contributions

Donated materials are recorded as support at their fair value at the date of donation. Contributions of services are recorded as support at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

No amounts have been reflected in the financial statements for donated volunteer services in connection with the various programs since they do not meet the requirements under financial accounting standards.

Deferred Income

Deferred income consists of membership fees, event sponsorships and tuition that are collected in advance and are recognized as revenue in the period in which they are earned.

Income Tax Status

DFAC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

DFAC accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions.

DFAC has identified its tax status as a tax-exempt entity as its only significant tax position; however, DFAC has determined that such tax position does not result in an uncertainty requiring recognition. DFAC is not currently under examination by any taxing jurisdiction. DFAC’s federal returns are generally open for examination for three years following the date filed.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and functional expenses.

Program services, management and general, and fundraising, when specifically identifiable, are classified to the function which incurred the expense. Those specifically identifiable include education, exhibition costs, and membership. All other expenses are allocated among program services, management and general, and fundraising based upon the ratio of employee time spent in each functional area.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Summarized Comparative Information

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with DFAC's financial statements for the year ended September 30, 2018.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. DFAC has adjusted the presentation of these statements accordingly.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months:

	2019	2018
Financial Assets:		
Cash and cash equivalents	\$ 247,654	\$ 20,940
Grants and other receivables	8,596	4,856
Promises to give, net	2,000	34,144
Total financial assets	258,250	59,940

DFAC's goal is generally to maintain financial assets to meet 90 days of operating expenses. As described in **NOTE N**, DFAC also has a \$250,000 line-of-credit available for use in meeting financial obligations. DFAC had investments of \$1,972,217 and \$2,007,723 at September 30, 2019 and 2018, respectively, that are available to meet liquidity requirements upon approval of DFAC's board of directors.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE D - BUILDING MAINTENANCE AND THE CITY OF DUNEDIN

DFAC's building and land improvements are located on property owned by the City. The cost of the original building and land improvements (from inception in 1974 through 1989) were previously transferred to the City and are not reflected in the accompanying statements of financial position. All leasehold improvements made since 1990 were conveyed to the City effective September 30, 2014, the second floor of the west wing was conveyed effective September 30, 2016, and the Food Arts Studio was conveyed effective September 30, 2019. These amounts are reflected as an unamortized leasehold interest on the statements of financial position as of September 30, 2019 and 2018 (see **NOTE H**). DFAC occupies the building under an agreement with the City, whereby DFAC operates the inside of the building and the City provides facility repair and outside and ground maintenance.

Any major repairs or replacements to the exterior of the building and the grounds, including - but not limited to - the roof, air conditioners, exterior painting, exterior lights and the parking lots are provided by the City. The City also pays for water, sewage, and ground maintenance.

The City's in-kind donation includes building maintenance expenses such as ground maintenance and facility repair. The in-kind donation for each of the years ended September 30, 2019 and 2018 was \$99,561. This amount is included in total contributed services and in-kind donations (see **NOTE I**).

NOTE E - PROMISES TO GIVE

Unconditional promises to give consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give	\$ 6,000	\$ 35,144
Less unamortized discount	<u>(107)</u>	<u>(28)</u>
Net unconditional promises to give	<u>\$ 5,893</u>	<u>\$ 35,116</u>
Amounts due in:		
Less than one year	\$ 2,000	\$ 34,144
One to five years	<u>4,000</u>	<u>1,000</u>
	<u>\$ 6,000</u>	<u>\$ 35,144</u>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE F - INVESTMENTS

Investments are presented in the financial statements at their fair market values and consist of the following at September 30:

	2019		2018	
	Cost	Market	Cost	Market
Cash and money market funds	\$ 11,757	\$ 11,757	\$ 279,160	\$ 279,160
U.S. treasury bills	-	-	488,170	489,222
Mutual funds	1,430,239	1,444,347	1,034,951	999,985
Equities	492,112	576,307	253,761	340,947
Exchange traded products	745,434	770,157	697,844	728,760
	<u>\$2,679,542</u>	<u>\$2,802,568</u>	<u>\$2,753,886</u>	<u>\$2,838,074</u>

The following schedule summarizes the investment return for the years ended September 30:

	2019	2018
Interest and dividend income	\$ 79,321	\$ 58,857
Investment expense	(17,628)	(13,686)
	61,693	45,171
Unrealized (loss) gain on investments	(14,505)	96,516
Realized gain on investments	54,727	2,236
	<u>40,222</u>	<u>98,752</u>
Net investment return	<u>\$ 101,915</u>	<u>\$ 143,923</u>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 106,402	\$ 106,402
Library	3,914	3,914
Equipment	300,703	268,795
Construction in progress	12,654	16,400
Total property and equipment	<u>423,673</u>	<u>395,511</u>
Less accumulated depreciation	<u>(305,234)</u>	<u>(279,429)</u>
	<u>\$ 118,439</u>	<u>\$ 116,082</u>

Total depreciation expense was \$25,805 and \$20,054 for the years ended September 30, 2019 and 2018, respectively.

NOTE H - UNAMORTIZED LEASEHOLD INTEREST

Effective September 30, 2014, DFAC conveyed all leasehold improvements made since 1990 to the City. Additions and improvements to the leasehold interest are recorded at cost as increases in the value of the leasehold interest. Additionally, as of September 30, 2016, the second floor was completed and conveyed to the City and as of September 30, 2019 the Food Arts Studio was completed and conveyed to the City. These leasehold interests are being amortized using the straight-line method over the life of the leasehold through September 2035. The details of the transactions follow:

Leasehold Interest	<u>2019</u>	<u>2018</u>
Conveyed to the City of Dunedin	\$ 7,590,122	\$ 7,590,122
Additional conveyance	585,427	-
Accumulated amortization	<u>(2,566,266)</u>	<u>(2,258,552)</u>
Unamortized leasehold interest	<u>\$ 5,609,283</u>	<u>\$ 5,331,570</u>

Amortization expense and amount released from restriction related to this leasehold interest for the years ended September 30, 2019 and 2018, was \$307,714 and \$317,332, respectively.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE I - CONTRIBUTED SERVICES AND IN-KIND DONATIONS

During the years ended September 30, 2019 and 2018, contributions of materials and supplies and professional services were recorded as contributions revenue as follows:

	<u>2019</u>	<u>2018</u>
Maintenance services	\$ 99,561	\$ 99,561
Exhibits	750	3,500
Professional services	7,331	9,250
Events	140,129	105,256
Education	14,593	7,554
Public relations and marketing	129,067	134,505
	<u>\$ 391,431</u>	<u>\$ 359,626</u>

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at September 30:

	<u>2019</u>	<u>2018</u>
Restricted for capital projects	\$ -	\$ 130,528
Unamortized leasehold interest	5,609,283	5,331,570
Purpose restriction	78,441	60,226
Pinellas Community Foundation	2,000	-
Pougialis Grant (1)	10,000	10,000
	<u>5,699,724</u>	<u>5,532,324</u>
Net assets with temporary restrictions	5,699,724	5,532,324
	<u>830,351</u>	<u>830,351</u>
Permanent endowment	830,351	830,351
	<u>\$ 6,530,075</u>	<u>\$ 6,362,675</u>
Total net assets with donor restrictions	<u>\$ 6,530,075</u>	<u>\$ 6,362,675</u>

Net assets released from restrictions were comprised of the following:

	<u>2019</u>	<u>2018</u>
Restricted for capital projects	\$ 282,495	\$ 16,400
Endowment earnings appropriated for expenditure	101,915	143,923
Purpose restrictions met	325,731	267,123
Amortization of leasehold interest	307,714	317,332
	<u>\$ 1,017,855</u>	<u>\$ 744,778</u>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

(1) DFAC was named as a beneficiary in the Pougialis trust that became available for distribution in April 2011. The purpose of the trust is “to develop and maintain an art education program at the Dunedin Fine Art Center with said Center’s assistance in developing the curriculum for elementary school age children.” After lengthy legal proceedings and court mandated mediation, the case was settled in August 2014 and an independent grant awarding committee was formed to consider and approve annual distributions from the trust. As of September 30, 2019 and 2018, the Organization received \$244,654 and \$203,000, respectively, from the trust. As of September 30, 2019 and 2018, the Organization expended \$244,654 and \$203,000, respectively, in approved expenditures.

Net assets with donor restrictions of a permanent nature consist of endowment donations to DFAC. The donors have instructed DFAC that the principal cannot be expended; however, the earnings generated by the original donated principal are available to be expended. Any earnings are included in net assets with donor restrictions or net assets without donor restrictions as earnings are expended.

NOTE K - LEASES

DFAC leases certain equipment and property under various operating leases. The terms of these leases range from 36 months to 60 months. Total lease expense was approximately \$39,000 and \$55,000 for the years ended September 30, 2019 and 2018, respectively.

Based on the terms of the agreements, the minimum payments due on all leases are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2020	\$ 12,091
2021	5,705
2022	5,705
2023	<u>3,328</u>
	<u>\$ 26,829</u>

NOTE L - FAIR VALUE MEASUREMENTS

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Money markets funds - the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE L - FAIR VALUE MEASUREMENTS – CONTINUED

U.S. treasury bills - valued based on pricing models using yield curves observable at commonly quoted intervals.

Mutual funds, equities, and exchange traded products - valued at quoted market prices in which the securities are traded.

The following tables represent DFAC's financial instruments measured at fair value on a recurring basis at September 30, 2019 and 2018 for each of the fair value hierarchy levels:

Fair value of assets measured on a recurring basis at September 30, 2019 is as follows:

Fair Value Measurements at Reporting Date Using				
Description	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3	Total Fair Value
Assets:				
Cash and money market funds	\$ 11,757	\$ -	\$ -	\$ 11,757
Mutual funds	1,444,347	-	-	1,444,347
Equities	576,307	-	-	576,307
Exchange traded products	770,157	-	-	770,157
Total assets at fair value	\$ 2,802,568	\$ -	\$ -	\$ 2,802,568

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED

Fair value of assets measured on a recurring basis at September 30, 2018 is as follows:

Fair Value Measurements at Reporting Date Using				
Description	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3	Total Fair Value
Assets:				
Cash and money market funds	\$ 279,160	\$ -	\$ -	\$ 279,160
U.S. treasury bills	-	489,222	-	489,222
Mutual funds	999,985	-	-	999,985
Equities	340,947	-	-	340,947
Exchange traded products	728,760	-	-	728,760
	\$ 2,348,852	\$ 489,222	\$ -	\$ 2,838,074

NOTE M - ENDOWMENT FUND

DFAC's endowment (the Fund) consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

DFAC received \$225,351 from an estate in fiscal 2000 to be held in perpetuity in the Fund. The interest and income can be used annually to provide for children's programs, exhibits, or other programming activities for children and adults. The initial corpus of this donation is considered to be permanently restricted while the interest and income is considered temporarily restricted if not used within the same year in which it is earned.

DFAC received a restricted endowment contribution of \$240,000 from the State of Florida in 2006. The related funding agreement required that DFAC designate an additional \$360,000 to supplement the State endowment contribution. The \$240,000 contribution reverts back to the State of Florida if DFAC ceases operations, files for bankruptcy protection, or willfully expends any portion of the \$600,000. Earnings from the Fund are available to fund DFAC's operating activities.

DFAC received a restricted endowment contribution of \$5,000 from a will in fiscal 2017.

The Board has designated certain funds to the endowment fund. The board designated funds are allocated their share of realized and unrealized gains and losses and investment income.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE M - ENDOWMENT FUND - CONTINUED

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). DFAC has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DFAC considers (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 as a net asset with restrictions of a permanent nature. The remaining portion of the donor-restricted endowment fund that is not considered to be permanent is included in net assets with donor restrictions until those amounts are appropriated for expenditure by DFAC in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, DFAC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of DFAC and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of DFAC
- (7) The investment policies of DFAC

For the years ended September 30, 2019 and 2018, DFAC has elected not to add appreciation for cost of living or other spending policies, due to inflation and other economic conditions, to its permanently restricted endowment. Any appreciation retained is included in the board designated endowment without donor restrictions.

Summary of Endowment Assets:

Endowment assets as of September 30 are invested as follows:

	2019	2018
Total Investments	\$ 2,802,568	\$ 2,838,074
Less amount not included in endowments	(245,000)	-
Net investments in endowment	\$ 2,557,568	\$ 2,838,074

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE M - ENDOWMENT FUND - CONTINUED

Summary of Endowment Assets September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 1,727,217	\$ -	\$ 1,727,217
Donor-restricted endowment	-	830,351	830,351
	<u>\$ 1,727,217</u>	<u>\$ 830,351</u>	<u>\$ 2,557,568</u>

Summary of Endowment Assets September 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 2,007,723	\$ -	\$ 2,007,723
Donor-restricted endowment	-	830,351	830,351
	<u>\$ 2,007,723</u>	<u>\$ 830,351</u>	<u>\$ 2,838,074</u>

Changes in endowment net assets as of September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 2,007,723	\$ 830,351	\$ 2,838,074
Interest and dividends	-	61,693	61,693
Contributions	487,607	-	487,607
Distributions	(121,186)	-	(121,186)
Transfer to operations	(503,842)	-	(503,842)
Net investment appreciation	-	40,222	40,222
Transfer to undesignated	(245,000)	-	(245,000)
Released from restriction	101,915	(101,915)	-
Endowment net assets, ending	<u>\$ 1,727,217</u>	<u>\$ 830,351</u>	<u>\$ 2,557,568</u>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE M - ENDOWMENT FUND - CONTINUED

Changes in endowment net assets as of September 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 425,420	\$ 830,351	\$ 1,255,771
Interest and dividends	-	45,171	45,171
Contributions	1,499,993	-	1,499,993
Net investment appreciation	-	98,752	98,752
Released from restriction	82,310	(143,923)	(61,613)
	<u>\$ 2,007,723</u>	<u>\$ 830,351</u>	<u>\$ 2,838,074</u>
Endowment net assets, ending	<u>\$ 2,007,723</u>	<u>\$ 830,351</u>	<u>\$ 2,838,074</u>

Return Objectives, Risk Parameters, and Strategies

DFAC has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that DFAC must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The terms of the operating policies of the endowment fund requires that it will be managed by an outside investment counselor recommended by the Endowment Committee and approved by the Board of Directors. The Investment Committee is responsible for the investment selections, subject to guidance from the Endowment Committee. The objective of the Fund is to invest funds in accordance with the standards set forth in Section 518.11, Florida Statutes. The amount invested in equities shall vary from time to time and shall be established by the committees as conditions permit.

Spending Policy

DFAC is operating under an approved endowment spending policy that seeks to preserve the purchasing power of the Fund while providing income at the highest attainable level. The earnings and accumulations in the Fund are budgeted annually and are to be used based on expected total return and taking restrictions into account. There is to be no invasion of the original principal of the gifts given to DFAC unless the donors instruct otherwise.

The Fund can distribute, annually, up to 5% of the average market value of the preceding twelve calendar quarters. Within forty-five days of the end of the fiscal year, the Chairman of the Endowment Committee, upon review and approval by the Endowment Committee, shall recommend to the Board of Directors the amount from the prior fiscal year, if any, to be distributed from the Endowment Fund and the Board of Directors shall determine the purpose for which the amount shall be used. In the event the funds are not distributed in any given year, funds up to calculated amount may be distributed in a subsequent year.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE N - LINE-OF-CREDIT

DFAC had a \$250,000 revolving line-of-credit available at a financial institution at September 30, 2019 and 2018. The line-of-credit is unsecured and bears interest at a rate equal to the prime rate plus 0.50% (5.25% and 5.75% at September 30, 2019 and 2018, respectively). The line-of-credit automatically renews annually and is payable on demand. There was no balance outstanding on the line-of-credit at September 30, 2019 and 2018.

NOTE O - PENSION PLAN

Full-time employees of DFAC may elect to participate in a self-directed Simple IRA plan. The employees' tax-deferred contribution will be matched by DFAC up to a maximum of 3% of their salary. This plan is administered by a broker-dealer and provides the participants with the option to invest in several different registered investment funds.

The matching contributions provided by DFAC for the fiscal years ended September 30, 2019 and 2018 was \$19,205 and \$18,926, respectively. This amount is a component of employee benefits on the statement of functional expenses.

NOTE P - COMMITMENTS AND CONTINGENCIES

DFAC receives support from grantor agencies for its programs. If this support were to be reduced or eliminated, it could affect the operation of the supported programs. In addition, DFAC is subject to audit examination by the grantor agencies. In the event that reimbursed expenditures were disallowed, repayment would be required.

NOTE Q - SUBSEQUENT EVENTS

DFAC evaluated its subsequent events through January 9, 2020, the date the financial statements were available to be issued. DFAC is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.