

# **The Dunedin Fine Art Center, Inc.**

## **Financial Statements**

**September 30, 2020 and 2019**



**THE DUNEDIN FINE ART CENTER, INC.**  
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## 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited DFAC's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PDR CPAs + Advisors*

Oldsmar, Florida  
January 21, 2021

**THE DUNEDIN FINE ART CENTER, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 307,487	\$ 219,467
Restricted cash	247,203	90,441
Investments	2,376,387	1,972,217
Grants and other receivables	-	8,596
Promises to give, net	12,630	5,893
Inventory	5,234	5,904
Prepaid expenses	1,594	372
Property and equipment, net	110,015	118,439
Investments - permanent endowment	831,851	830,351
Unamortized leasehold interest	5,255,366	5,609,283
<b>Total Assets</b>	<b>\$ 9,147,767</b>	<b>\$ 8,860,963</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 37,738	\$ 63,122
Deferred income	137,685	169,518
Accrued expenses	40,301	52,109
Line of credit	200,000	-
Note payable	198,650	-
<b>Total liabilities</b>	614,374	284,749
<b>Net Assets</b>		
Without donor restrictions:		
Net assets without donor restrictions, including \$2,113,616 and \$1,727,217 of board designated funds, respectively	2,088,958	1,927,700
Property and equipment	110,015	118,439
<b>Total without donor restrictions</b>	2,198,973	2,046,139
With donor restrictions	6,334,420	6,530,075
<b>Total net assets</b>	<b>8,533,393</b>	<b>8,576,214</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,147,767</b>	<b>\$ 8,860,963</b>

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Operating Support and Revenue</b>				
Membership	\$ 93,517	\$ -	\$ 93,517	\$ 95,709
Education	650,778	-	650,778	933,864
Gallery Shop sales (net of costs of goods sold of \$43,447)	28,769	-	28,769	35,750
Exhibition sponsorships (net of direct costs of \$6,710)	47,156	-	47,156	55,345
Special events (net of direct costs of \$41,772)	231,796	-	231,796	240,958
Grant income	48,697	-	48,697	16,428
Contributions	91,850	477,775	569,625	1,069,741
Program support sponsorships	14,000	-	14,000	10,950
Investment income, net	5,061	69,250	74,311	61,693
Net realized and unrealized gain on investments	10,790	235,095	245,885	40,222
In-kind donations	384,945	-	384,945	391,431
Other	37,359	-	37,359	60,302
Net assets released from restrictions	977,775	(977,775)	-	-
<b>Total operating support and revenue</b>	<b>2,622,493</b>	<b>(195,655)</b>	<b>2,426,838</b>	<b>3,012,393</b>
<b>Operating Expenses</b>				
Program service:				
Art education and cultural awareness	2,001,137	-	2,001,137	2,187,811
Support services:				
Management and general	277,802	-	277,802	256,695
Fundraising	190,720	-	190,720	314,558
<b>Total operating expenses</b>	<b>2,469,659</b>	<b>-</b>	<b>2,469,659</b>	<b>2,759,064</b>
<b>Change in Net Assets</b>	<b>152,834</b>	<b>(195,655)</b>	<b>(42,821)</b>	<b>253,329</b>
<b>Net Assets, Beginning of Year</b>	<b>2,046,139</b>	<b>6,530,075</b>	<b>8,576,214</b>	<b>8,322,885</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,198,973</b>	<b>\$ 6,334,420</b>	<b>\$ 8,533,393</b>	<b>\$ 8,576,214</b>

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Supporting Services				Total Expenses	
	Program	Management	Fund	Total	2020	2019
	Services	and General	Raising	Support Services		
Salaries and related costs:						
Salaries	\$ 541,669	\$ 95,443	\$ 67,268	\$ 162,711	\$ 704,380	\$ 757,770
Employee benefits	83,679	14,745	10,392	25,137	108,816	107,140
Payroll taxes	40,232	7,089	4,996	12,085	52,317	57,260
<b>Total salaries and related costs</b>	<b>665,580</b>	<b>117,277</b>	<b>82,656</b>	<b>199,933</b>	<b>865,513</b>	<b>922,170</b>
Other expenses:						
Education	384,761	-	-	-	384,761	520,197
Public relations	73,624	12,973	9,143	22,116	95,740	139,645
Administrative	45,940	7,201	-	7,201	53,141	91,351
Utilities and custodial services	41,224	7,264	5,119	12,383	53,607	63,098
Exhibitions costs	34,694	-	-	-	34,694	61,632
Computer	22,684	3,997	2,817	6,814	29,498	31,552
Insurance	28,628	5,044	3,555	8,599	37,227	32,953
Credit card fees	22,177	3,908	2,754	6,662	28,839	35,826
Equipment rental and maintenance	21,915	3,861	2,722	6,583	28,498	21,511
Contract services	25,524	4,497	3,170	7,667	33,191	46,288
Repair and maintenance	11,504	2,027	1,429	3,456	14,960	13,290
Professional fees	11,420	2,012	1,418	3,430	14,850	16,440
Staff training	5,219	920	648	1,568	6,787	9,364
Office expense	7,141	1,258	887	2,145	9,286	13,300
Grants expense	2,607	459	324	783	3,390	6,827
Dues and subscriptions	4,489	791	558	1,349	5,838	6,640
Membership	-	-	1	1	1	7
Postage	644	114	80	194	838	2,023
<b>Total other expense</b>	<b>744,195</b>	<b>56,326</b>	<b>34,625</b>	<b>90,951</b>	<b>835,146</b>	<b>1,111,944</b>
Expenses before in-kind expenses and depreciation and amortization	1,409,775	173,603	117,281	290,884	1,700,659	2,034,114
In-kind expenses	296,023	52,160	36,762	88,922	384,945	391,431
Depreciation and amortization	295,339	52,039	36,677	88,716	384,055	333,519
<b>Total functional expenses</b>	<b>\$ 2,001,137</b>	<b>\$ 277,802</b>	<b>\$ 190,720</b>	<b>\$ 468,522</b>	<b>\$ 2,469,659</b>	<b>\$ 2,759,064</b>

See accompanying notes to financial statements



**THE DUNEDIN FINE ART CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (42,821)	\$ 253,329
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	384,055	333,519
Realized loss (gain) on investments	1,197	(54,727)
Unrealized loss (gain) on investments	(247,082)	14,505
<b>(Increase) decrease in operating assets:</b>		
Grants/other receivables and promises to give, net	1,859	25,483
Inventory	670	99
Prepaid expenses	(1,222)	2,033
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	(25,384)	24,082
Deferred income	(31,833)	26,920
Accrued expenses	(11,808)	17,616
	<b>27,631</b>	<b>642,859</b>
 <b>Cash Flows from Investing Activities</b>		
Cash paid for leasehold interest/property and equipment	(21,714)	(613,589)
Purchases of investments	(2,465,297)	(5,088,423)
Proceeds from sale of investments	2,305,512	5,164,151
	<b>(181,499)</b>	<b>(537,861)</b>
 <b>Cash Flows from Financing Activities</b>		
Net proceeds from line of credit	200,000	-
Proceeds from note payable	198,650	-
	<b>398,650</b>	<b>-</b>
 <b>Net Increase in Total Cash</b>	<b>244,782</b>	<b>104,998</b>
 <b>Total Cash at Beginning of Year</b>	<b>309,908</b>	<b>204,910</b>
 <b>Total Cash at End of Year</b>	<b>\$ 554,690</b>	<b>\$ 309,908</b>
 <b>Total cash consisted of the following at September 30:</b>		
Cash and cash equivalents	\$ 307,487	\$ 219,467
Restricted cash	247,203	90,441
	<b>\$ 554,690</b>	<b>\$ 309,908</b>
 <b>Supplemental Disclosure of Cash Flow Information</b>		
<b>Noncash Transactions:</b>		
Donation to City of Dunedin/transfer of leasehold interest	\$ -	\$ 585,427
Cash paid for interest	<b>\$ 4,756</b>	<b>\$ -</b>

**See accompanying notes to financial statements**

**THE DUNEDIN FINE ART CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**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, 2020 AND 2019**

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**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, 2020 and 2019, 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, 2020 AND 2019**

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**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, 2020 and 2019, 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.

**THE DUNEDIN FINE ART CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition**

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

Program service revenue is recognized at the time that the services are provided.

Grants are recognized as support when performance occurs pursuant to the contract agreement.

**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.

**THE DUNEDIN FINE ART CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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.

**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, 2019.

**New Accounting Pronouncements**

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not for Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguished a donor-imposed condition from a donor-imposed restriction. The Federation adopted ASU 2018-08 effective July 1, 2019 and determined that the adoption will not result in a material change to how it accounts for revenue from contributions and grants.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The revenue guidance is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted as of the original effective date.

**THE DUNEDIN FINE ART CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**New Accounting Pronouncements - Continued**

In May 2020, the FASB issued a one-year extension of the required adoption date. The ASU may be applied retrospectively to historical periods presented or as a cumulative-effect adjustment as of the date of adoption. DFAC plans to adopt ASU No. 2014-09 in fiscal year 2021 and is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

**NOTE C - AVAILABILITY AND LIQUIDITY**

At September 30, 2020 and 2019, DFAC's financial assets available to meet general expenditures within one year were as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 307,487	\$ 219,467
Restricted cash	247,203	90,441
Grants and other receivables	-	8,596
Promises to give, net	<u>9,413</u>	<u>2,000</u>
Total financial assets	<u>564,103</u>	<u>320,504</u>
Less Amounts Not Available to be Used Within One Year:		
Net assets with donor restrictions	<u>247,203</u>	<u>90,441</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 316,900</u>	<u>\$ 230,063</u>

DFAC is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, DFAC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. As part of DFAC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. DFAC monitors liquidity to meet its operating needs and other contractual commitments.

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 \$2,376,387 and \$1,972,217 at September 30, 2020 and 2019, respectively, that are available to meet liquidity requirements upon approval of DFAC's board of directors.

**THE DUNEDIN FINE ART CENTER, INC.  
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**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, 2020 and 2019 (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, 2020 and 2019 was \$143,210 and \$99,561 respectively. 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>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 12,638	\$ 6,000
Less unamortized discount	<u>(8)</u>	<u>(107)</u>
Net unconditional promises to give	<u>\$ 12,630</u>	<u>\$ 5,893</u>
Amounts due in:		
Less than one year	\$ 9,413	\$ 2,000
One to five years	<u>3,225</u>	<u>4,000</u>
	<u>\$ 12,638</u>	<u>\$ 6,000</u>



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**NOTE F - INVESTMENTS**

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

	2020		2019	
	Cost	Market	Cost	Market
Cash and money market funds	\$ 18,260	\$ 18,260	\$ 11,757	\$ 11,757
Mutual funds	1,562,051	1,570,740	1,430,239	1,444,347
Equities	707,463	1,012,678	492,112	576,307
Exchange traded products	553,991	606,560	745,434	770,157
	<u>\$2,841,765</u>	<u>\$3,208,238</u>	<u>\$2,679,542</u>	<u>\$2,802,568</u>

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

	2020	2019
Interest and dividend income	\$ 94,347	\$ 79,321
Investment expense	(20,036)	(17,628)
	74,311	61,693
Unrealized gain (loss) on investments	247,082	(14,505)
Realized (loss) gain on investments	(1,197)	54,727
	<u>245,885</u>	<u>40,222</u>
Net investment return	<u>\$ 320,196</u>	<u>\$ 101,915</u>

**NOTE G - PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2020	2019
Furniture and fixtures	\$ 106,402	\$ 106,402
Library	3,914	3,914
Equipment	314,553	300,703
Construction in progress	20,517	12,654
Total property and equipment	445,386	423,673
Less accumulated depreciation	(335,371)	(305,234)
	<u>\$ 110,015</u>	<u>\$ 118,439</u>

Total depreciation expense was \$30,138 and \$25,805 for the years ended September 30, 2020 and 2019, respectively.

**THE DUNEDIN FINE ART CENTER, INC.  
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**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:

<b>Leasehold Interest</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
Conveyed to the City of Dunedin	\$ 8,175,549	\$ 7,590,122
Additional conveyance	-	585,427
Accumulated amortization	<u>(2,920,183)</u>	<u>(2,566,266)</u>
Unamortized leasehold interest	<u><u>\$ 5,255,366</u></u>	<u><u>\$ 5,609,283</u></u>

Amortization expense and amount released from restriction related to this leasehold interest for the years ended September 30, 2020 and 2019, was \$353,917 and \$307,714, respectively.

**NOTE I - CONTRIBUTED SERVICES AND IN-KIND DONATIONS**

During the years ended September 30, 2020 and 2019, contributions of materials and supplies and professional services were recorded as contributions revenue as follows:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Exhibits	\$ -	\$ 750
Professional Fees	14,602	7,331
Events	86,884	140,129
Public relations and marketing	138,163	129,067
Education	2,086	14,593
City of Dunedin	<u>143,210</u>	<u>99,561</u>
	<u><u>\$ 384,945</u></u>	<u><u>\$ 391,431</u></u>

**THE DUNEDIN FINE ART CENTER, INC.  
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**NOTE J - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Restricted for capital projects	\$ 133,782	\$ -
Unamortized leasehold interest	5,255,366	5,609,283
Purpose restriction	101,421	78,441
Pinellas Community Foundation	2,000	2,000
Pougialis Grant (1)	<u>10,000</u>	<u>10,000</u>
Net assets with temporary restrictions	5,502,569	5,699,724
Permanent endowment	<u>831,851</u>	<u>830,351</u>
Total net assets with donor restrictions	<u>\$ 6,334,420</u>	<u>\$ 6,530,075</u>

Net assets released from restrictions were comprised of the following:

	<u>2020</u>	<u>2019</u>
Restricted for capital projects	\$ 52,492	\$ 282,495
Endowment earnings appropriated for expenditure	304,345	101,915
Purpose restrictions met	267,021	325,731
Amortization of leasehold interest	<u>353,917</u>	<u>307,714</u>
	<u>\$ 977,775</u>	<u>\$ 1,017,855</u>

- (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.” An independent grant awarding committee was formed to consider and approve annual distributions from the trust. As of September 30, 2020 and 2019, the Organization received \$216,772 and \$244,654, respectively, from the trust. As of September 30, 2020 and 2019, the Organization expended \$216,772 and \$244,654, 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.

**THE DUNEDIN FINE ART CENTER, INC.  
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**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 \$14,000 and \$39,000 for the years ended September 30, 2020 and 2019, respectively.

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

Years Ending September 30,	Amount
2021	\$ 12,474
2022	12,913
2023	11,042
2024	8,254
2025	8,832
	\$ 53,515

**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, 2020 and 2019.

*Cash and money market funds* - the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

*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, 2020 and 2019 for each of the fair value hierarchy levels:

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**NOTE L - FAIR VALUE MEASUREMENTS – CONTINUED**

Fair value of assets measured on a recurring basis at September 30, 2020 is as follows:

<b>Fair Value Measurements at Reporting Date Using</b>				
<b>Description</b>	<b>Quoted Prices In Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Other Unobservable Inputs Level 3</b>	<b>Total Fair Value</b>
<b>Assets:</b>				
Cash and money market funds	\$ 18,260	\$ -	\$ -	\$ 18,260
Mutual funds	1,570,740	-	-	1,570,740
Equities	1,012,678	-	-	1,012,678
Exchange traded products	606,560	-	-	606,560
Total assets at fair value	\$ 3,208,238	\$ -	\$ -	\$ 3,208,238

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

<b>Fair Value Measurements at Reporting Date Using</b>				
<b>Description</b>	<b>Quoted Prices In Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Other Unobservable Inputs Level 3</b>	<b>Total Fair Value</b>
<b>Assets:</b>				
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**  
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**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 additional endowment contributions in subsequent years which have been added to the endowment corpus.

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.

*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

**THE DUNEDIN FINE ART CENTER, INC.  
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**NOTE M - ENDOWMENT FUND - CONTINUED**

For the years ended September 30, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Total Investments	\$ 3,208,238	\$ 2,802,568
Less amount not included in endowment	<u>(262,771)</u>	<u>(245,000)</u>
Net investments in endowment	<u>\$ 2,945,467</u>	<u>\$ 2,557,568</u>

*Summary of Endowment Assets September 30, 2020:*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 2,113,616	\$ -	\$ 2,113,616
Donor-restricted endowment	<u>-</u>	<u>831,851</u>	<u>831,851</u>
	<u>\$ 2,113,616</u>	<u>\$ 831,851</u>	<u>\$ 2,945,467</u>

*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	<u>-</u>	<u>830,351</u>	<u>830,351</u>
	<u>\$ 1,727,217</u>	<u>\$ 830,351</u>	<u>\$ 2,557,568</u>

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**NOTE M - ENDOWMENT FUND - CONTINUED**

*Changes in endowment net assets as of September 30, 2020:*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 1,727,217	\$ 830,351	\$ 2,557,568
Interest and dividends	-	69,250	69,250
Contributions	-	1,500	1,500
Distributions	(162,946)	-	(162,946)
Transfer from operations	245,000	-	245,000
Net investment appreciation	-	235,095	235,095
Released from restriction	304,345	(304,345)	-
	<u>\$ 2,113,616</u>	<u>\$ 831,851</u>	<u>\$ 2,945,467</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)	-
	<u>\$ 1,727,217</u>	<u>\$ 830,351</u>	<u>\$ 2,557,568</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.



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**NOTE M - ENDOWMENT FUND - CONTINUED**

*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.

**NOTE N - LINE-OF-CREDIT**

DFAC had a \$250,000 revolving line-of-credit available at a financial institution at September 30, 2020 and 2019. The line-of-credit is unsecured and bears interest at a rate equal to the prime rate plus 0.50% (4.0% at September 30, 2020). The line-of-credit automatically renews annually and is payable on demand. There was a balance of \$200,000 and \$0 outstanding on the line-of-credit at September 30, 2020 and 2019.

**NOTE O- NOTE PAYABLE**

In April 2020, DFAC received a loan under the Paycheck Protection Program (PPP) in the amount of \$198,650. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying entities. The loan and accrued interest are forgivable as long as the loan proceeds are used for qualifying expenses as described in the CARES Act. The loan accrues interest at 1% and was originally payable in eighteen monthly installments of principle and interest commencing seven months after the loan date if the loan, in whole or in part, was not forgiven under provisions of the PPP. The loan is a program of the U.S. Small Business Administration (SBA) and is administered by DFAC's bank (lender).

In June 2020, the Paycheck Protection Program Flexibility Act was enacted which extended the deferral period for payments of principle, interest and fees on PPP loans. The revised deferral period includes the loan forgiveness covered period which can be up to 24 weeks plus an additional ten months. If any portion of the PPP loan is not forgiven, repayment of the unforgiven portion will commence after the SBA notifies the lender of the unforgiven loan amount and remits the forgiven loan amount to the lender. If DFAC elects not to apply for forgiveness, repayment of the loan will commence ten months after the end of DFAC's loan forgiveness covered period.

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**NOTE O- NOTE PAYABLE - CONTINUED**

DFAC currently intends to use the entire loan amount for qualifying expenses and apply for forgiveness of the entire loan. It is not possible, as of the date of these financial statements, to determine with certainty that the loan, in whole or in part, will be eligible for forgiveness. The timing of the repayment of any unforgiven loan amount is subject to a number of factors as described above and Management has deemed forgiveness to be probable. Accordingly, DFAC has included the entire loan amount as a long-term liability in the accompanying statements of financial position.

**NOTE P - 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, 2020 and 2019 was \$16,426 and \$19,205, respectively. This amount is a component of employee benefits on the statement of functional expenses.

**NOTE Q - 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.

*COVID-19*

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on DFAC's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, DFAC is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year ended September 30, 2021.

**NOTE R - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 21, 2021, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosures in the financial statements.