

Dunedin Fine Art Center, Inc.

Financial Statements

September 30, 2021 and 2020



THE DUNEDIN FINE ART CENTER, INC.
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT3 - 4

Financial Statements for the Years Ended
September 30, 2021 and 2020:

 Statements of Financial Position 5

 Statements of Activities6 - 7

 Statement of Functional Expenses 8

 Statements of Cash Flows 9

 Notes to Financial Statements 10 - 27



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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDR CPAs + Advisors

Oldsmar, Florida
January 18, 2022

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
Assets		
Cash and cash equivalents	\$ 260,414	\$ 307,487
Restricted cash	114,183	247,203
Investments	3,073,111	2,376,387
Promises to give, net	12,330	12,630
Inventory	2,805	5,234
Prepaid expenses	1,047	1,594
Property and equipment, net	68,384	110,015
Investments - permanent endowment	834,351	831,851
Unamortized leasehold interest	5,075,562	5,255,366
Total Assets	\$ 9,442,187	\$ 9,147,767
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 39,388	\$ 37,738
Deferred income	208,040	137,685
Accrued expenses	41,831	40,301
Line of credit	-	200,000
Note payable	180,979	198,650
Total liabilities	470,238	614,374
Net Assets		
Without donor restrictions:		
Net assets without donor restrictions, including \$2,767,885 and \$2,113,616 of board designated funds, respectively	2,879,469	2,088,958
Property and equipment	68,384	110,015
Total without donor restrictions	2,947,853	2,198,973
With donor restrictions	6,024,096	6,334,420
Total net assets	8,971,949	8,533,393
Total Liabilities and Net Assets	\$ 9,442,187	\$ 9,147,767

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Operating Support and Revenue				
Membership	\$ 66,168	\$ -	\$ 66,168	\$ 93,517
Education	594,159	-	594,159	650,778
Gallery Shop sales (net of costs of goods sold of \$22,038)	11,196	-	11,196	28,769
Exhibition sponsorships (net of direct costs of \$16,740)	22,830	-	22,830	47,156
Special events (net of direct costs of \$63,884)	229,306	-	229,306	231,796
Grant income	147,113	-	147,113	48,697
Contributions	220,716	298,870	519,586	569,625
Program support sponsorships	19,710	-	19,710	14,000
Investment income, net	3,753	48,406	52,159	74,311
Net realized and unrealized gain on investments	38,702	438,965	477,667	245,885
In-kind donations	407,069	-	407,069	384,945
Other	4,368	-	4,368	37,359
Net assets released from restrictions	1,271,724	(1,271,724)	-	-
Total operating support and revenue	3,036,814	(485,483)	2,551,331	2,426,838
Operating Expenses				
Program service:				
Art education and cultural awareness	1,854,773	-	1,854,773	2,001,137
Support services:				
Management and general	257,243	-	257,243	277,802
Fundraising	199,409	-	199,409	190,720
Total operating expenses	2,311,425	-	2,311,425	2,469,659
Change in Net Assets Before Other Changes	725,389	(485,483)	239,906	(42,821)
Other Changes in Net Assets				
Donation - City of Dunedin	(175,159)	175,159	-	-
Income from forgiveness of debt	198,650	-	198,650	-
Change in Net Assets	748,880	(310,324)	438,556	(42,821)
Net Assets, Beginning of Year	2,198,973	6,334,420	8,533,393	8,576,214
Net Assets, End of Year	\$ 2,947,853	\$ 6,024,096	\$ 8,971,949	\$ 8,533,393

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Membership	\$ 93,517	\$ -	\$ 93,517
Education	650,778	-	650,778
Gallery Shop sales (net of costs of goods sold of \$43,447)	28,769	-	28,769
Exhibition sponsorships (net of direct costs of \$6,710)	47,156	-	47,156
Special events (net of direct costs of \$41,772)	231,796	-	231,796
Grant income	48,697	-	48,697
Contributions	91,850	477,775	569,625
Program support sponsorships	14,000	-	14,000
Investment income, net	5,061	69,250	74,311
Net realized and unrealized gain on investments	10,790	235,095	245,885
In-kind donations	384,945	-	384,945
Other	37,359	-	37,359
Net assets released from restrictions	<u>977,775</u>	<u>(977,775)</u>	<u>-</u>
Total operating support and revenue	2,622,493	(195,655)	2,426,838
Operating Expenses			
Program service:			
Art education and cultural awareness	2,001,137	-	2,001,137
Support services:			
Management and general	277,802	-	277,802
Fundraising	<u>190,720</u>	<u>-</u>	<u>190,720</u>
Total operating expenses	<u>2,469,659</u>	<u>-</u>	<u>2,469,659</u>
Change in Net Assets	152,834	(195,655)	(42,821)
Net Assets, Beginning of Year	<u>2,046,139</u>	<u>6,530,075</u>	<u>8,576,214</u>
Net Assets, End of Year	<u>\$ 2,198,973</u>	<u>\$ 6,334,420</u>	<u>\$ 8,533,393</u>

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	Supporting Services				Total Expenses	
	Program Services	Management and General	Fund Raising	Total Support Services	2021	2020
Salaries and related costs:						
Salaries	\$ 497,960	\$ 87,111	\$ 68,275	\$ 155,386	\$ 653,346	\$ 704,380
Employee benefits	67,388	11,789	9,239	21,028	88,416	108,816
Payroll taxes	37,487	6,558	5,140	11,698	49,185	52,317
Total salaries and related costs	602,835	105,458	82,654	188,112	790,947	865,513
Other expenses:						
Education	349,780	-	-	-	349,780	384,761
Public relations	62,764	10,980	8,605	19,585	82,349	95,740
Administrative	18,316	2,818	-	2,818	21,134	53,141
Utilities and custodial services	37,310	6,527	5,115	11,642	48,952	53,607
Exhibitions costs	32,293	-	-	-	32,293	34,694
Computer	25,819	4,517	3,540	8,057	33,876	29,498
Insurance	31,199	5,458	4,278	9,736	40,935	37,227
Credit card fees	15,613	2,731	2,141	4,872	20,485	28,839
Equipment rental and maintenance	9,396	1,644	1,288	2,932	12,328	28,498
Contract services	27,314	4,778	3,745	8,523	35,837	33,191
Repair and maintenance	11,325	1,981	1,553	3,534	14,859	14,960
Professional fees	14,667	2,566	2,011	4,577	19,244	14,850
Staff training	2,316	405	317	722	3,038	6,787
Office expense	6,857	1,199	940	2,139	8,996	9,286
Grants expense	1,060	185	145	330	1,390	3,390
Dues and subscriptions	3,118	546	428	974	4,092	5,838
Membership	-	-	1	1	1	1
Postage	674	118	92	210	884	838
Total other expense	649,821	46,453	34,199	80,652	730,473	835,146
Expenses before in-kind expenses and depreciation and amortization	1,252,656	151,911	116,853	268,764	1,521,420	1,700,659
In-kind expenses	310,255	54,275	42,539	96,814	407,069	384,945
Depreciation and amortization	291,862	51,057	40,017	91,074	382,936	384,055
Total functional expenses	\$ 1,854,773	\$ 257,243	\$ 199,409	\$ 456,652	\$ 2,311,425	\$ 2,469,659

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 438,556	\$ (42,821)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	382,936	384,055
Realized loss (gain) on investments	(167,294)	1,197
Unrealized loss (gain) on investments	(310,373)	(247,082)
Income from forgiveness of debt	(198,650)	-
(Increase) decrease in operating assets:		
Promises to give, net	300	1,859
Inventory	2,429	670
Prepaid expenses	547	(1,222)
Increase (decrease) in operating liabilities:		
Accounts payable	1,650	(25,384)
Deferred income	70,355	(31,833)
Accrued expenses	1,530	(11,808)
	221,986	27,631
Cash Flows from Investing Activities		
Cash paid for leasehold interest/property and equipment	(161,501)	(21,714)
Purchases of investments	(1,327,133)	(2,465,297)
Proceeds from sale of investments	1,105,576	2,305,512
	(383,058)	(181,499)
Cash Flows from Financing Activities		
Net (repayments) proceeds - line of credit	(200,000)	200,000
Proceeds from note payable	180,979	198,650
	(19,021)	398,650
Net (Decrease) Increase in Total Cash	(180,093)	244,782
Total Cash at Beginning of Year	554,690	309,908
Total Cash at End of Year	\$ 374,597	\$ 554,690
Total cash consisted of the following at September 30:		
Cash and cash equivalents	\$ 260,414	\$ 307,487
Restricted cash	114,183	247,203
	\$ 374,597	\$ 554,690
Supplemental Disclosure of Cash Flow Information		
Noncash Transactions:		
Donation to City of Dunedin/transfer of leasehold interest	\$ 175,159	\$ -
Cash paid for interest	\$ 2,733	\$ 4,756

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

Certain grants received by DFAC are considered conditional contributions since the grant agreements require DFAC to perform services, incur expenses or meet contract objectives in order to earn the grant funding. Payments received under these grants is deferred until earned. Revenue is earned and recognized in the financial statements when eligible expenses are incurred, services performed or grant objectives met.

Other grants and contributions without conditions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to DFAC that is, in substance, unconditional. Unconditional promises to give are reported at present value at the date the promise is received to the extent estimated to be collected by DFAC. Other conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenues from workshops and classes, exhibitions, sponsorships and memberships are considered exchange transactions. Revenues from exchange transactions are recognized when control of the goods and services are transferred to DFAC's members or program participants in an amount that reflects the consideration DFAC expects to be entitled to in exchange for those goods or services.

DFAC typically satisfies its performance obligations for membership dues over time as the related services are provided during the membership agreement period as a stand ready obligation. Revenues from workshops and classes, exhibitions, and sponsorships are recognized at the conclusion of the individual event.

Payments in general are required to be made in advance prior to the beginning of the membership period or prior to the individual event. Differences between the timing of billing and the recognition of revenue are recognized as either accounts receivable or deferred revenues in the statements of financial position.

Unearned billings and cash receipts from exchange transactions was approximately \$208,000 and \$138,000 at September 30, 2021 and 2020, respectively, and is included in deferred income in the accompanying statements of financial position.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 AND 2020**

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, 2020.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition and establishes a five-step approach for the recognition of revenue. Topic 606 applies to DFAC since a portion of DFAC's revenues are generated from providing goods and services that are considered exchange transactions. Management has determined that the adoption of ASU 2014-09 did not result in a material change to the timing of when DFAC revenue is recognized and there was no cumulative effect adjustment recorded to opening net assets as of October 1, 2020 upon adoption of the standard.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE C - AVAILABILITY AND LIQUIDITY

At September 30, 2021 and 2020, DFAC's financial assets available to meet general expenditures within one year were as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 260,414	\$ 307,487
Restricted cash	114,183	247,203
Promises to give, net	<u>10,800</u>	<u>9,413</u>
Total financial assets	<u>385,397</u>	<u>564,103</u>
Less Amounts Not Available to be Used Within One Year:		
Net assets with donor restrictions	<u>114,183</u>	<u>247,203</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 271,214</u>	<u>\$ 316,900</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 \$3,073,111 and \$2,376,387 at September 30, 2021 and 2020, 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, 2021 AND 2020**

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, the Food Arts Studio was conveyed effective September 30, 2019, and renovations to the Café and restrooms were conveyed effective September 30, 2021. These amounts are reflected as an unamortized leasehold interest on the statements of financial position as of September 30, 2021 and 2020 (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, 2021 and 2020 was \$127,780 and \$143,210 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>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 12,338	\$ 12,638
Less unamortized discount	<u>(8)</u>	<u>(8)</u>
Net unconditional promises to give	<u>\$ 12,330</u>	<u>\$ 12,630</u>
Amounts due in:		
Less than one year	\$ 10,800	\$ 9,413
One to five years	<u>1,538</u>	<u>3,225</u>
	<u>\$ 12,338</u>	<u>\$ 12,638</u>

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE F - INVESTMENTS

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

	2021		2020	
	Cost	Market	Cost	Market
Cash and money market funds	\$ 48,207	\$ 48,207	\$ 18,260	\$ 18,260
Mutual funds	1,563,833	1,574,707	1,562,051	1,570,740
Equities	952,408	1,467,801	707,463	1,012,678
Exchange traded products	662,090	816,747	553,991	606,560
	<u>\$ 3,226,538</u>	<u>\$ 3,907,462</u>	<u>\$ 2,841,765</u>	<u>\$ 3,208,238</u>

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

	2021	2020
Interest and dividend income	\$ 74,745	\$ 94,347
Investment expense	(22,586)	(20,036)
	52,159	74,311
Unrealized gain (loss) on investments	310,373	247,082
Realized (loss) gain on investments	167,294	(1,197)
	477,667	245,885
Net investment return	<u>\$ 529,826</u>	<u>\$ 320,196</u>

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2021	2020
Furniture and fixtures	\$ 106,402	\$ 106,402
Library	3,914	3,914
Equipment	321,412	314,553
Construction in progress	-	20,517
Total property and equipment	431,728	445,386
Less accumulated depreciation	(363,344)	(335,371)
	<u>\$ 68,384</u>	<u>\$ 110,015</u>

Total depreciation expense was \$27,972 and \$30,138 for the years ended September 30, 2021 and 2020, respectively.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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. During fiscal year 2021, renovations to the Café and restrooms were 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>2021</u>	<u>2020</u>
Conveyed to the City of Dunedin	\$ 8,175,549	\$ 8,175,549
Additional conveyance	175,160	-
Accumulated amortization	<u>(3,275,147)</u>	<u>(2,920,183)</u>
Unamortized leasehold interest	<u><u>\$ 5,075,562</u></u>	<u><u>\$ 5,255,366</u></u>

Amortization expense and amount released from restriction related to this leasehold interest for the years ended September 30, 2021 and 2020, was \$354,964 and \$353,917, respectively.

NOTE I - CONTRIBUTED SERVICES AND IN-KIND DONATIONS

During the years ended September 30, 2021 and 2020, contributions of materials and supplies and professional services were recorded as contributions revenue as follows:

	<u>2021</u>	<u>2020</u>
Professional Fees	\$ 3,050	\$ 14,602
Events	116,311	86,884
Public relations and marketing	159,668	138,163
Education	260	2,086
City of Dunedin	<u>127,780</u>	<u>143,210</u>
	<u><u>\$ 407,069</u></u>	<u><u>\$ 384,945</u></u>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Restricted for capital projects	\$ -	\$ 133,782
Unamortized leasehold interest	5,075,562	5,255,366
Purpose restriction	111,098	101,421
Pinellas Community Foundation	2,000	2,000
Pougialis Grant (1)	<u>1,085</u>	<u>10,000</u>
Net assets with temporary restrictions	5,189,745	5,502,569
Permanent endowment	<u>834,351</u>	<u>831,851</u>
Total net assets with donor restrictions	<u>\$ 6,024,096</u>	<u>\$ 6,334,420</u>

Net assets released from restrictions were comprised of the following:

	<u>2021</u>	<u>2020</u>
Restricted for capital projects	\$ 158,929	\$ 52,492
Endowment earnings appropriated for expenditure	487,371	304,345
Purpose restrictions met	270,460	267,021
Amortization of leasehold interest	<u>354,964</u>	<u>353,917</u>
	<u>\$ 1,271,724</u>	<u>\$ 977,775</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. During the years ended September 30, 2021 and 2020, the Organization received \$212,000 and \$216,772, respectively, from the trust. During the years ended September 30, 2021 and 2020, the Organization expended \$220,915 and \$216,772, 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.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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 \$15,000 and \$14,000 for the years ended September 30, 2021 and 2020, respectively.

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

Years Ending September 30,	Amount
2022	\$ 12,913
2023	11,042
2024	8,254
2025	8,832
	\$ 41,041

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, 2021 and 2020.

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, 2021 and 2020 for each of the fair value hierarchy levels:

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE L - FAIR VALUE MEASUREMENTS – CONTINUED

Fair value of assets measured on a recurring basis at September 30, 2021 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	\$ 48,207	\$ -	\$ -	\$ 48,207
Mutual funds	1,574,707	-	-	1,574,707
Equities	1,467,801	-	-	1,467,801
Exchange traded products	816,747	-	-	816,747
Total assets at fair value	\$ 3,907,462	\$ -	\$ -	\$ 3,907,462

Fair value of assets measured on a recurring basis at September 30, 2020 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	\$ 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

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE M - ENDOWMENT FUND - CONTINUED

For the years ended September 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Total Investments	\$ 3,907,462	\$ 3,208,238
Less amount not included in endowment	<u>(305,226)</u>	<u>(262,771)</u>
Net investments in endowment	<u>\$ 3,602,236</u>	<u>\$ 2,945,467</u>

Summary of Endowment Assets September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 2,767,885	\$ -	\$ 2,767,885
Donor-restricted endowment	<u>-</u>	<u>834,351</u>	<u>834,351</u>
	<u>\$ 2,767,885</u>	<u>\$ 834,351</u>	<u>\$ 3,602,236</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>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE M - ENDOWMENT FUND - CONTINUED

Changes in endowment net assets as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 2,113,616	\$ 831,851	\$ 2,945,467
Interest and dividends	-	48,406	48,406
Contributions	-	2,500	2,500
Distributions	-	-	-
Transfer from operations	166,898	-	166,898
Net investment appreciation	-	438,965	438,965
Released from restriction	487,371	(487,371)	-
	<u>\$ 2,767,885</u>	<u>\$ 834,351</u>	<u>\$ 3,602,236</u>

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 to operations	245,000	-	245,000
Net investment appreciation	-	235,095	235,095
Transfer to undesignated	-	-	-
Released from restriction	304,345	(304,345)	-
	<u>\$ 2,113,616</u>	<u>\$ 831,851</u>	<u>\$ 2,945,467</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.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020. The line-of-credit is unsecured and bears interest at a rate equal to the prime rate plus 0.50% (3.75% at September 30, 2021). The line-of-credit automatically renews annually and is payable on demand. There was a balance of \$0 and \$200,000 outstanding on the line-of-credit at September 30, 2021 and 2020.

NOTE O- NOTE PAYABLE

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, DFAC received a PPP loan in the amount of \$198,650. DFAC used the proceeds from the loan for qualifying expenses and received forgiveness in August 2021 of \$198,650. Income from forgiveness is included in the statement of activities for the year ended September 30, 2021.

In February 2021, DFAC obtained a second PPP loan in the amount of \$180,979. The note matures in February 2026 and bears interest at a fixed annual rate of 1%, with loan payments being deferred until certain events occur in accordance with the PPP program regulations. Management intends to apply for forgiveness of this loan during fiscal year ended September 30, 2022 and the principal amount of the loan is included in long term liabilities in the accompanying statement of financial position at September 30, 2021.

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020 was \$15,847 and \$16,426, 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.

NOTE R - UNCERTAINTIES

In March 2020, the World Health Organization 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 its 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 response 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, 2022.

NOTE S - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 18, 2022, 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.