

The Dunedin Fine Art Center, Inc.

Financial Statements

September 30, 2022 and 2021



THE DUNEDIN FINE ART CENTER, INC.
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT3 - 4

Financial Statements for the Years Ended
September 30, 2022 and 2021:

 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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, 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, 2022, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Dunedin Fine Art Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dunedin Fine Art Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

CONTINUED

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dunedin Fine Art Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Dunedin Fine Art Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Dunedin Fine Art Center, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDR CPAs + Advisors

Oldsmar, Florida
January 19, 2023

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<u>ASSETS</u>		
Assets		
Cash and cash equivalents	\$ 148,485	\$ 260,414
Restricted cash	136,326	114,183
Investments	2,278,144	3,073,111
Promises to give, net	9,300	12,330
Inventory	4,087	2,805
Prepaid expenses	3,610	1,047
Property and equipment, net	46,709	68,384
Investments - permanent endowment	835,851	834,351
Unamortized leasehold interest	4,709,132	5,075,562
Total Assets	\$ 8,171,644	\$ 9,442,187
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 35,991	\$ 39,388
Deferred income	251,365	208,040
Accrued expenses	50,862	41,831
Note payable	-	180,979
Total liabilities	338,218	470,238
Net Assets		
Without donor restrictions:		
Net assets without donor restrictions, including \$2,036,612 and \$2,767,885 of board designated funds, respectively	2,105,408	2,879,469
Property and equipment	46,709	68,384
Total without donor restrictions	2,152,117	2,947,853
With donor restrictions	5,681,309	6,024,096
Total net assets	7,833,426	8,971,949
Total Liabilities and Net Assets	\$ 8,171,644	\$ 9,442,187

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Operating Support and Revenue				
Membership	\$ 81,126	\$ -	\$ 81,126	\$ 66,168
Education	843,265	-	843,265	594,159
Gallery Shop sales (net of costs of goods sold of \$35,379)	25,303	-	25,303	11,196
Exhibition sponsorships (net of direct costs of \$21,351)	44,058	-	44,058	22,830
Special events (net of direct costs of \$148,031)	288,921	-	288,921	229,306
Grant income	98,322	-	98,322	147,113
Contributions	117,319	273,166	390,485	519,586
Program support sponsorships	8,200	-	8,200	19,710
Investment income, net	63,371	-	63,371	52,159
Net realized and unrealized gain on investments	(858,341)	-	(858,341)	477,667
Contributed nonfinancial assets	481,372	-	481,372	407,069
Other	9,281	-	9,281	4,368
Net assets released from restrictions	615,953	(615,953)	-	-
Total operating support and revenue	1,818,150	(342,787)	1,475,363	2,551,331
Operating Expenses				
Program service:				
Art education and cultural awareness	2,131,349	-	2,131,349	1,759,767
Support services:				
Management and general	260,439	-	260,439	216,206
Fundraising	403,077	-	403,077	335,452
Total operating expenses	2,794,865	-	2,794,865	2,311,425
Change in Net Assets Before Other Changes	(976,715)	(342,787)	(1,319,502)	239,906
Other Changes in Net Assets				
Income from forgiveness of debt	180,979	-	180,979	198,650
Change in Net Assets	(795,736)	(342,787)	(1,138,523)	438,556
Net Assets, Beginning of Year	2,947,853	6,024,096	8,971,949	8,533,393
Net Assets, End of Year	\$ 2,152,117	\$ 5,681,309	\$ 7,833,426	\$ 8,971,949

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Membership	\$ 66,168	\$ -	\$ 66,168
Education	594,159	-	594,159
Gallery Shop sales (net of costs of goods sold of \$22,038)	11,196	-	11,196
Exhibition sponsorships (net of direct costs of \$16,740)	22,830	-	22,830
Special events (net of direct costs of \$63,884)	229,306	-	229,306
Grant income	147,113	-	147,113
Contributions	220,716	298,870	519,586
Program support sponsorships	19,710	-	19,710
Investment income, net	52,159	-	52,159
Net realized and unrealized gain on investments	477,667	-	477,667
Contributed nonfinancial assets	407,069	-	407,069
Other	4,368	-	4,368
Net assets released from restrictions	784,353	(784,353)	-
Total operating support and revenue	3,036,814	(485,483)	2,551,331
Operating Expenses			
Program service:			
Art education and cultural awareness	1,759,767	-	1,759,767
Support services:			
Management and general	216,206	-	216,206
Fundraising	335,452	-	335,452
Total operating expenses	2,311,425	-	2,311,425
Change in Net Assets Before Other Changes	725,389	(485,483)	239,906
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
Net Assets, Beginning of Year	2,198,973	6,334,420	8,533,393
Net Assets, End of Year	\$ 2,947,853	\$ 6,024,096	\$ 8,971,949

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	Supporting Services			Total Support Services	Total Expenses	
	Program Services	Management and General	Fund Raising		2022	2021
Salaries and related costs:						
Salaries	\$ 591,146	\$ 107,481	\$ 76,850	\$ 184,331	\$ 775,477	\$ 653,346
Employee benefits	73,196	13,308	9,515	22,823	96,019	88,416
Payroll taxes	44,365	8,066	5,767	13,833	58,198	49,185
Total salaries and related costs	708,707	128,855	92,132	220,987	929,694	790,947
Other expenses:						
Education	508,851	-	-	-	508,851	349,780
Public relations	78,903	14,346	10,257	24,603	103,506	82,349
Administrative	35,632	6,479	4,632	11,111	46,743	21,134
Utilities and custodial services	48,586	8,834	6,316	15,150	63,736	48,952
Exhibitions costs	29,627	-	-	-	29,627	32,293
Computer	26,684	4,852	3,469	8,321	35,005	33,876
Insurance	33,875	6,159	4,404	10,563	44,438	40,935
Credit card fees	20,964	3,812	2,725	6,537	27,501	20,485
Equipment rental and maintenance	11,129	2,023	1,447	3,470	14,599	12,328
Contract services	31,907	5,801	4,148	9,949	41,856	35,837
Repair and maintenance	14,158	2,574	1,841	4,415	18,573	14,859
Professional fees	17,342	3,153	2,255	5,408	22,750	19,244
Staff training	5,959	1,083	775	1,858	7,817	3,038
Office expense	10,592	1,926	1,377	3,303	13,895	8,996
Grants expense	1,143	208	149	357	1,500	1,390
Dues and subscriptions	4,065	739	528	1,267	5,332	4,092
Membership	-	-	-	-	-	1
Postage	804	146	104	250	1,054	884
Total other expense	880,221	62,135	44,427	106,562	986,783	730,473
Expenses before in-kind expenses and depreciation and amortization	1,588,928	190,990	136,559	327,549	1,916,477	1,521,420
In-kind expenses	239,775	14,423	227,174	241,597	481,372	407,069
Depreciation and amortization	302,646	55,026	39,344	94,370	397,016	382,936
Total functional expenses	\$ 2,131,349	\$ 260,439	\$ 403,077	\$ 663,516	\$ 2,794,865	\$ 2,311,425

See accompanying notes to financial statements

THE DUNEDIN FINE ART CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,138,523)	\$ 438,556
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	397,016	382,936
Realized loss (gain) on investments	(143,402)	(167,294)
Unrealized loss (gain) on investments	1,001,743	(310,373)
Income from forgiveness of debt	(180,979)	(198,650)
(Increase) decrease in operating assets:		
Promises to give, net	3,030	300
Inventory	(1,282)	2,429
Prepaid expenses	(2,563)	547
Increase (decrease) in operating liabilities:		
Accounts payable	(3,397)	1,650
Deferred income	43,325	70,355
Accrued expenses	9,031	1,530
Net cash (used in) provided by operating activities	(16,001)	221,986
 Cash Flows from Investing Activities		
Cash paid for leasehold interest/property and equipment	(8,911)	(161,501)
Purchases of investments	(2,053,984)	(1,327,133)
Proceeds from sale of investments	1,989,110	1,105,576
Net cash used in investing activities	(73,785)	(383,058)
 Cash Flows from Financing Activities		
Net repayments on line of credit	-	(200,000)
Proceeds from note payable	-	180,979
Net cash used in financing activities	-	(19,021)
 Net Decrease in Total Cash	(89,786)	(180,093)
 Total Cash at Beginning of Year	374,597	554,690
 Total Cash at End of Year	\$ 284,811	\$ 374,597
 Total cash consisted of the following at September 30:		
Cash and cash equivalents	\$ 148,485	\$ 260,414
Restricted cash	136,326	114,183
	\$ 284,811	\$ 374,597
 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

See accompanying notes to financial statements

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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, 2022 AND 2021

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, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021, no allowance was deemed necessary by management.

Inventory

Inventory is stated at the lower of cost or net realizable value, 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, 2022 AND 2021

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 \$251,000 and \$208,000 at September 30, 2022 and 2021, 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, 2022 AND 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets

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, 2022 AND 2021**

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, 2021.

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update, Not-for-Profit Entities (Topic 958) - *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update enhances the presentation and disclosure of contributed nonfinancial assets but does not impact the accounting for contributed nonfinancial assets. DFAC has adjusted the presentation and disclosures accordingly.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE C - AVAILABILITY AND LIQUIDITY

At September 30, 2022 and 2021, DFAC's financial assets available to meet general expenditures within one year were as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 148,485	\$ 260,414
Restricted cash	136,326	114,183
Promises to give, net	<u>9,300</u>	<u>10,800</u>
Total financial assets	<u>294,111</u>	<u>385,397</u>
Less Amounts Not Available to be Used Within One Year:		
Net assets with donor restrictions	<u>136,326</u>	<u>114,183</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 157,785</u>	<u>\$ 271,214</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 I**, DFAC also has a \$250,000 line-of-credit available for use in meeting financial obligations. DFAC had investments of \$2,278,144 and \$3,073,111 at September 30, 2022 and 2021, 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, 2022 AND 2021**

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, 2022 and 2021 (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 contributes services including building maintenance, grounds maintenance and facility repair. The contributed services for each of the years ended September 30, 2022 and 2021 was \$135,932 and \$127,780 respectively. This amount is included in total contributed nonfinancial assets in **NOTE Q**.

NOTE E - PROMISES TO GIVE

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

	<u>2022</u>	<u>2021</u>
Unconditional promises to give	\$ 9,300	\$ 12,338
Less unamortized discount	-	(8)
	<u>\$ 9,300</u>	<u>\$ 12,330</u>
Amounts due in:		
Less than one year	\$ 9,300	\$ 10,800
One to five years	-	1,538
	<u>\$ 9,300</u>	<u>\$ 12,338</u>

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE F - INVESTMENTS

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

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and money market funds	\$ 59,382	\$ 59,382	\$ 48,207	\$ 48,207
Mutual funds	1,682,920	1,447,521	1,563,833	1,574,707
Equities	1,122,740	1,061,510	952,408	1,467,801
Exchange traded products	557,599	545,582	662,090	816,747
	<u>\$3,422,641</u>	<u>\$3,113,995</u>	<u>\$3,226,538</u>	<u>\$3,907,462</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 87,169	\$ 74,745
Investment expense	(23,798)	(22,586)
	63,371	52,159
Unrealized gain (loss) on investments	(1,001,743)	310,373
Realized (loss) gain on investments	143,402	167,294
	(858,341)	477,667
Net investment return	<u>\$ (794,970)</u>	<u>\$ 529,826</u>

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 106,402	\$ 106,402
Library	3,914	3,914
Equipment	330,323	321,412
Total property and equipment	440,639	431,728
Less accumulated depreciation	(393,930)	(363,344)
	<u>\$ 46,709</u>	<u>\$ 68,384</u>

Total depreciation expense was \$30,586 and \$27,972 for the years ended September 30, 2022 and 2021, respectively.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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>2022</u>	<u>2021</u>
Conveyed to the City of Dunedin	\$ 8,350,709	\$ 8,175,549
Additional conveyance	-	175,160
Accumulated amortization	<u>(3,641,577)</u>	<u>(3,275,147)</u>
Unamortized leasehold interest	<u>\$ 4,709,132</u>	<u>\$ 5,075,562</u>

Amortization expense and amount released from restriction related to this leasehold interest for the years ended September 30, 2022 and 2021, was \$366,430 and \$354,964, respectively.

NOTE I - LINE-OF-CREDIT

DFAC had a \$250,000 revolving line-of-credit available at a financial institution at September 30, 2022 and 2021. The line-of-credit is unsecured and bears interest at a rate equal to the prime rate plus 0.50% (6.75% at September 30, 2022). The line-of-credit automatically renews annually and is payable on demand. There was no balance outstanding on the line-of-credit at September 30, 2022 and 2021.

NOTE J - 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.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Unamortized leasehold interest	\$ 4,709,132	\$ 5,075,562
Purpose restriction	115,512	111,098
Pinellas Community Foundation	-	2,000
Pougialis Grant (1)	<u>20,814</u>	<u>1,085</u>
Net assets with temporary restrictions	4,845,458	5,189,745
Permanent endowment	<u>835,851</u>	<u>834,351</u>
Total net assets with donor restrictions	<u>\$ 5,681,309</u>	<u>\$ 6,024,096</u>

Net assets released from restrictions were comprised of the following:

	<u>2022</u>	<u>2021</u>
Restricted for capital projects	\$ -	\$ 158,929
Purpose restrictions met	249,523	270,460
Amortization of leasehold interest	<u>366,430</u>	<u>354,964</u>
	<u>\$ 615,953</u>	<u>\$ 784,353</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, 2022 and 2021, the Organization received \$187,000 and \$212,000, respectively, from the trust. During the years ended September 30, 2022 and 2021, the Organization expended \$167,271 and \$220,915, 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, 2022 AND 2021**

NOTE L - 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 \$17,000 and \$15,000 for the years ended September 30, 2022 and 2021, respectively.

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

Years Ending September 30,	Amount
2023	\$ 11,042
2024	8,254
2025	8,832
	\$ 28,128

NOTE M - 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, 2022 and 2021.

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, 2022 and 2021 for each of the fair value hierarchy levels:

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE M - FAIR VALUE MEASUREMENTS – CONTINUED

Fair value of assets measured on a recurring basis at September 30, 2022 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	\$ 59,382	\$ -	\$ -	\$ 59,382
Mutual funds	1,447,521	-	-	1,447,521
Equities	1,061,510	-	-	1,061,510
Exchange traded products	545,582	-	-	545,582
Total assets at fair value	\$ 3,113,995	\$ -	\$ -	\$ 3,113,995

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

THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE N - ENDOWMENT FUND

DFAC's endowment (the Fund) consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted and board designated 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, 2022 AND 2021**

NOTE N - ENDOWMENT FUND - CONTINUED

For the years ended September 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Total Investments	\$ 3,113,995	\$ 3,907,462
Less amount not included in endowment	<u>(241,532)</u>	<u>(305,226)</u>
Net investments in endowment	<u>\$ 2,872,463</u>	<u>\$ 3,602,236</u>

Summary of Endowment Assets September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 2,036,612	\$ -	\$ 2,036,612
Donor-restricted endowment	<u>-</u>	<u>835,851</u>	<u>835,851</u>
	<u>\$ 2,036,612</u>	<u>\$ 835,851</u>	<u>\$ 2,872,463</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>

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE N - ENDOWMENT FUND - CONTINUED

Changes in endowment net assets as of September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 2,767,885	\$ 834,351	\$ 3,602,236
Interest and dividends	58,940	-	58,940
Contributions	13,301	1,500	14,801
Transfer to operations	(13,301)	-	(13,301)
Net investment depreciation	(790,213)	-	(790,213)
Released from restriction	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, ending	<u>\$ 2,036,612</u>	<u>\$ 835,851</u>	<u>\$ 2,872,463</u>

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
Transfer to undesignated	-	-	-
Released from restriction	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, ending	<u>\$ 2,767,885</u>	<u>\$ 834,351</u>	<u>\$ 3,602,236</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, 2022 AND 2021

NOTE N - 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 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. DFAC used the proceeds from the loan for qualifying expenses and received forgiveness in February 2022 of \$180,979. Income from forgiveness is included in the statement of activities for the year ended September 30, 2022.

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, 2022 and 2021 was \$16,152 and \$15,847, respectively. This amount is a component of employee benefits on the statement of functional expenses.

**THE DUNEDIN FINE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE Q - CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets included in the accompanying statements of activities are as follows for each of the years ended September 30:

2022	Program Services	Management and General	Fund Raising	Total
Professional services	\$ 7,772	\$ 558	\$ -	\$ 8,330
Event supplies	-	-	158,698	158,698
Public relations services	107,104	-	68,476	175,580
Educational supplies	2,832	-	-	2,832
Building maintenance	122,067	13,865	-	135,932
	<u>\$ 239,775</u>	<u>\$ 14,423</u>	<u>\$ 227,174</u>	<u>\$ 481,372</u>
2021	Program Services	Management and General	Fund Raising	Total
Professional services	\$ 2,846	\$ 204	\$ -	\$ 3,050
Event supplies	-	-	116,311	116,311
Public relations services	97,397	-	62,271	159,668
Educational supplies	260	-	-	260
Building maintenance	114,746	13,034	-	127,780
	<u>\$ 215,249</u>	<u>\$ 13,238</u>	<u>\$ 178,582</u>	<u>\$ 407,069</u>

All donated services and assets were utilized by DFAC's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. Donated professional, public relations and maintenance services are valued at the standard hourly rates charged for those services. Donated supplies are valued at the estimated wholesale prices that would be received for selling similar products in the United States.

NOTE R - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2023, 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.