

CultureTrust Greater Philadelphia

Financial Statements
Year Ended June 30, 2019



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CULTURETRUST GREATER PHILADELPHIA

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statement of Financial Position</i>	2
<i>Statement of Activities</i>	3
<i>Statement of Functional Expenses</i>	4
<i>Statement of Cash Flows</i>	5
<i>Notes to Financial Statements</i>	6



INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
CultureTrust Greater Philadelphia
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of CultureTrust Greater Philadelphia (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CultureTrust Greater Philadelphia as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited CultureTrust Greater Philadelphia's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP

**Philadelphia, Pennsylvania
July 10, 2020**

CULTURETRUST GREATER PHILADELPHIA

STATEMENT OF FINANCIAL POSITION

June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	1,329,847	\$ 1,667,393
Contributions receivable	94,427	281,791
Prepaid expenses and other	<u>1,873</u>	<u>12,439</u>
Total assets	<u>\$ 1,426,147</u>	<u>\$ 1,961,623</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 98,579</u>	<u>\$ 130,272</u>
NET ASSETS (DEFICITS)		
Without donor restrictions	(2,637)	346,091
With donor restrictions	<u>1,330,205</u>	<u>1,485,260</u>
Total net assets (deficits)	<u>1,327,568</u>	<u>1,831,351</u>
Total liabilities and net assets	<u>\$ 1,426,147</u>	<u>\$ 1,961,623</u>

See accompanying notes

CULTURETRUST GREATER PHILADELPHIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2019 with comparative totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
REVENUE AND SUPPORT				
Contributions	\$ -	\$ 2,102,635	\$ 2,102,635	\$ 2,488,822
In-kind contributions	347,337	-	347,337	661,663
Admission sales	631,440	-	631,440	327,263
Professional fees	385,301	-	385,301	343,350
Other income	87,840	-	87,840	125,315
Net assets released from restrictions	<u>2,257,690</u>	<u>(2,257,690)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,709,608</u>	<u>(155,055)</u>	<u>3,554,553</u>	<u>3,946,413</u>
EXPENSES				
Program services	3,193,061	-	3,193,061	3,176,210
Supporting services				
Management and general	742,944	-	742,944	654,533
Fundraising	<u>122,331</u>	<u>-</u>	<u>122,331</u>	<u>133,100</u>
Total expenses	<u>4,058,336</u>	<u>-</u>	<u>4,058,336</u>	<u>3,963,843</u>
CHANGE IN NET ASSETS	<u>(348,728)</u>	<u>(155,055)</u>	<u>(503,783)</u>	<u>(17,430)</u>
NET ASSETS (DEFICITS)				
Beginning of year	<u>346,091</u>	<u>1,485,260</u>	<u>1,831,351</u>	<u>1,848,781</u>
End of year	<u>\$ (2,637)</u>	<u>\$ 1,330,205</u>	<u>\$ 1,327,568</u>	<u>\$ 1,831,351</u>

See accompanying notes

CULTURETRUST GREATER PHILADELPHIA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019 with comparative totals for 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>	
		<u>Management and General</u>	<u>Fundraising</u>	<u>2019</u>	<u>2018</u>
Personnel costs					
Employee costs	\$ 578,250	\$ 198,504	\$ 86,306	\$ 863,060	\$ 529,544
Independent contractors	379,324	-	-	379,324	371,401
Volunteer costs	232,716	79,888	34,733	347,337	661,663
Grants expense	947,638	-	-	947,638	1,168,556
Insurance	8,655	27,120	1,292	37,067	25,178
Management services	-	319,488	-	319,488	289,165
Office expenses	108,782	12,141	-	120,923	97,940
Professional fees	21,413	36,664	-	58,077	232,409
Project supplies and materials	566,009	-	-	566,009	421,355
Travel, rental and other accomodations	306,341	3,278	-	309,619	113,382
Miscellaneous	43,933	65,861	-	109,794	53,250
Total expenses	<u>\$ 3,193,061</u>	<u>\$ 742,944</u>	<u>\$ 122,331</u>	<u>\$ 4,058,336</u>	<u>\$ 3,963,843</u>

See accompanying notes

CULTURETRUST GREATER PHILADELPHIA

STATEMENT OF CASH FLOWS

Year ended June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (503,783)	\$ (17,430)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
(Increase) decrease in		
Contributions receivable	187,364	(162,127)
Prepaid expenses and other	10,566	(2,234)
Increase (decrease) in		
Accounts payable and accrued expenses	<u>(31,693)</u>	<u>100,013</u>
Net cash used for operating activities and net change in cash	(337,546)	(81,778)
CASH		
Beginning of year	<u>1,667,393</u>	<u>1,749,171</u>
End of year	<u>\$ 1,329,847</u>	<u>\$ 1,667,393</u>

See accompanying notes

CULTURETRUST GREATER PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(1) NATURE OF ORGANIZATION

CultureTrust Greater Philadelphia (the "**Trust**") is an independent charitable trust that was formed and began operations on October 1, 2013. The Trust provides affordable back-office resources to charitable projects without their own non-profit status, or existing organizations that seek to increase management capacity while trimming costs on insurance and back-office expenses. The Trust is a direct manager and administrator for projects and organizations working in the fine and performing arts, heritage, humanities, journalism, design and creative practices. The Board-approved mission of the Trust is "to provide a charitable home and affordable shared management resources for the arts and heritage programs of diverse disciplines and cultural traditions."

The Trust, and its administration by CultureWorks Greater Philadelphia ("**CultureWorks**"), operates according to the model of Comprehensive Fiscal Sponsorship ("**CFS**"), or "Model A" fiscal sponsorship according to the field classification system created by Gregory L. Colvin, Esq. CFS is a well-established legal structure and field of practice for sharing management resources, such as staff, insurances and other administrative support. Also known as direct project sponsorship, a nonprofit entity (the Trust) brings the operations of unorganized projects and existing organizations—both referred to as "Projects"—under a common nonprofit operating entity (the Trust) and management. The Trust Administrator (CultureWorks) is contracted by the Trust to provide "Common Pool Management" resources to the Trust, which include accounting, bookkeeping, compliance, general liability and directors and officers insurances, funder stewardship, legal instruments, human resources management, procurement and project management. These are resources shared by all projects equally through an allocated share of revenues. In the case of the Trust, this allocation for Common Pool Management is 12% of cash revenue, in keeping with the field standard as established by the National Network of Fiscal Sponsors, of which the Trust is an accredited member. These cost allocations range between 10% and 15% of cash revenues, earned and contributed. Within this allocation, 2% is retained by the Trust for insurances, bank fees and compliance costs, and 10% is paid to CultureWorks for its management services. The Projects, which operate as Subtrusts under the Trust, each track the remaining 88% of their functional expenses according to the conventional categories of Program, Management and Fundraising. Each Project under the Trust is led by a "Project Director," who is not an employee of CultureWorks and is empowered to instruct the Trust Administrator about matters relating to his or her Project. In the year ending June 30, 2019, the Trust operated 111 projects.

All Projects operating under the Trust execute a Subtrust Declaration Letter, which commits them to comply with the financial policies and practices established by the Trust, found in the User Manual at <http://www.culturetrustphila.org>. Projects also must comply with the policies and terms of the Trust Agreement. Any contracting or financial request submitted to the Trust must be approved by the Project Director and CultureWorks staff, which includes the Trust Director, Finance Director and Managing Director, who also serves as the Trust Executive under the Trust Administrator Agreement. All revenue allocations made to Common Pool Management (the 12% revenue allocation) are made on a monthly basis, and are reviewed and approved by the Board of Trustees of the Trust on a quarterly basis, as are the composite financial statements of the Trust.

Effective July 1, 2017, CultureWorks became the sole trustee of the Trust.

In May 2016, the Trust formed a Pennsylvania limited liability company, The Keeping Society, LLC (the "**Company**"); the purpose of which is to provide cultural, artistic, and education programs to the community. The Trust is the sole member of the Company.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

CULTURETRUST GREATER PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Basis of Presentation

The Trust reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Trust and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Trust to expend the income generated in accordance with the provisions of the contribution.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("**GAAP**") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Trust's own assumptions.

Concentrations of Credit Risk

Financial instruments which potentially subject the Trust to concentrations of credit risk are cash and contributions receivable. The Trust maintains cash deposits at one financial institution. At times, such deposits may exceed federally-insured limits. Contributions receivable are expected to be collected during 2020 and are measured at fair value using Level 2 valuation inputs.

CULTURETRUST GREATER PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Contributions

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets with donor restrictions and released to net assets without donor restrictions as spent during the year.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Trust.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include personnel costs which are allocated based on estimates of time and effort.

Income Taxes

The Trust is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to the Trust's tax-exempt purpose is subject to taxation as unrelated business income.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Trust believes that it had no uncertain tax positions as defined in GAAP.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Accounting Pronouncements Adopted

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Trust has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Trust's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

CULTURETRUST GREATER PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

- The financial statements include a new disclosure about liquidity and availability of resources (**Note 8**).

Reclassifications

Certain items in the 2018 summarized comparative totals have been reclassified to conform to the 2019 presentation.

(3) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 were restricted for projects and organizations working in the fine and performing arts, heritage, humanities, journalism, design and creative practice.

(4) IN-KIND CONTRIBUTIONS

The fair value of in-kind contributions included in the financial statements and the corresponding expenses for the year ended June 30, 2019 are as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>2019</u>				
Program director costs	<u>\$232,716</u>	<u>\$79,888</u>	<u>\$34,733</u>	<u>\$347,337</u>

(5) TRUST CREATION AND ADMINISTRATION AGREEMENT

Prior to its formation, the services of the Trust were delivered through a program of CultureWorks. CultureWorks created the Trust to improve its ability to manage risk for participating projects, increase financial transparency and reduce concentration risk. CultureWorks has also assumed the lead in raising funds to capitalize the systems for the Trust, which has included \$135,000 in capital from the Wyncote Foundation since the Trust's creation, covering start-up costs, website development, and the creation of an online transaction management tool. These costs were paid directly by CultureWorks. The agreement was amended in June 2017 and CultureWorks became the sole trustee of the Trust. The amended agreement will be renewed annually unless either party provides not less than 180 days written notice of nonrenewal. Fees to CultureWorks were \$319,488 and \$289,165 for the years ended June 30, 2019 and 2018.

(6) RELATED PARTY TRANSACTION WITH FORMER BOARD MEMBER

In April 2016, the Trust entered into a fiscal sponsorship agreement for a project with a former Board member, whose term ended on June 30, 2015. During the year ended June 30, 2019, the Trust received contributions of \$258,730 and incurred expenses of \$665,146 for this project. During the year ended June 30, 2018, the Trust received contributions of \$515,792 and incurred expenses of \$995,443 for this project.

(7) LINE OF CREDIT

The Trust has a revolving \$100,000 bank credit line, which bears interest at 10%. Advances under this credit line are not secured. The bank line of credit was obtained during 2019, and no advances were outstanding at June 30, 2019.

CULTURETRUST GREATER PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(8) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Trust's financial assets at June 30, 2019, which has been reduced by financial assets not available within one year.

Cash	\$ 1,329,847
Contributions receivable	<u>94,427</u>
Total financial assets	1,424,274
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	<u>(1,330,205)</u>
Total financial assets available within one year	<u>\$ 94,069</u>

Liquidity Management

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Trust has various sources of liquidity at its disposal, including cash and a line of credit.

(9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2020, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Trust's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred that require recognition or disclosure in the financial statements.