

# The Baum School of Art

Financial Statements  
Year Ended June 30, 2019



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# THE BAUM SCHOOL OF ART

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Trustees  
The Baum School of Art  
Allentown, Pennsylvania**

We have audited the accompanying financial statements of The Baum School of Art (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 The Baum School of Art 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 The Baum School of Art's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2018. 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  
November 27, 2019**

# THE BAUM SCHOOL OF ART

## STATEMENT OF FINANCIAL POSITION

June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 147,664	\$ -
Contributions receivable	117,810	99,604
Accounts receivable	15,773	18,335
Prepaid expenses and other assets	13,532	9,403
Investments	650,531	437,328
Art inventory	1,457,757	1,435,930
Permanent art collection	500,000	500,000
Property and equipment, net	<u>2,789,345</u>	<u>2,866,623</u>
<b>Total assets</b>	<u>\$ 5,692,412</u>	<u>\$ 5,367,223</u>
<b>LIABILITIES</b>		
Loan payable	\$ 213,771	\$ 222,935
Accounts payable and accrued expenses	32,112	58,722
Deferred revenue	<u>-</u>	<u>3,020</u>
<b>Total liabilities</b>	<u>245,883</u>	<u>284,677</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	1,674,717	1,440,427
Board designated	322,031	115,837
Plant	<u>2,575,574</u>	<u>2,643,688</u>
<b>Total net assets without donor restrictions</b>	4,572,322	4,199,952
With donor restrictions	<u>874,207</u>	<u>882,594</u>
<b>Total net assets</b>	<u>5,446,529</u>	<u>5,082,546</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,692,412</u>	<u>\$ 5,367,223</u>

See accompanying notes

# THE BAUM SCHOOL OF ART

## STATEMENT OF ACTIVITIES

Year ended June 30, 2019 with comparative totals for 2018

	Without Donor Restrictions				With Donor Restrictions	Totals	
	Operating	Board Designated	Plant	Total		2019	2018
REVENUE AND SUPPORT							
Tuition and studio fees (net of scholarships of \$188,184 in 2019 and \$214,103 in 2018)	\$ 443,239	\$ -	\$ -	\$ 443,239	\$ -	\$ 443,239	\$ 422,343
Grants and contributions	335,572	278,026	-	613,598	67,300	680,898	387,803
Special events (net of direct expenses of \$101,933 in 2019 and \$107,857 in 2018)	141,186	-	-	141,186	-	141,186	120,188
Circulating picture club	28,585	-	-	28,585	-	28,585	46,075
Community arts program	61,656	-	-	61,656	-	61,656	66,033
Other	10,984	-	-	10,984	-	10,984	9,577
Endowment spending policy distribution	25,857	(12,924)	-	12,933	(12,933)	-	-
Net assets released from restrictions	77,252	11,273	-	88,525	(88,525)	-	-
Total revenue and support	1,124,331	276,375	-	1,400,706	(34,158)	1,366,548	1,052,019
EXPENSES							
Program service	839,018	-	-	839,018	-	839,018	829,772
Supporting services							
Management and general	174,645	-	-	174,645	-	174,645	176,045
Fundraising	74,146	-	-	74,146	-	74,146	76,429
Total expenses	1,087,809	-	-	1,087,809	-	1,087,809	1,082,246
Change in net assets before other changes	36,522	276,375	-	312,897	(34,158)	278,739	(30,227)
OTHER CHANGES							
Investment income	-	30,988	-	30,988	25,771	56,759	25,990
In-kind contributions of art inventory	46,547	-	-	46,547	-	46,547	125,005
Loss on sale of art inventory	(18,062)	-	-	(18,062)	-	(18,062)	-
Transfers							
Property and equipment additions	(23,361)	-	23,361	-	-	-	-
Depreciation	100,639	-	(100,639)	-	-	-	-
Principal payments on loan payable	(9,164)	-	9,164	-	-	-	-
Withdrawal from investments	101,169	(101,169)	-	-	-	-	-
Total other changes	197,768	(70,181)	(68,114)	59,473	25,771	85,244	150,995
CHANGE IN NET ASSETS	234,290	206,194	(68,114)	372,370	(8,387)	363,983	120,768
NET ASSETS							
Beginning of year	1,440,427	115,837	2,643,688	4,199,952	882,594	5,082,546	4,961,778
End of year	\$ 1,674,717	\$ 322,031	\$ 2,575,574	\$ 4,572,322	\$ 874,207	\$ 5,446,529	\$ 5,082,546

See accompanying notes

# THE BAUM SCHOOL OF ART

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019 with comparative totals for 2018

	Program Service	Management and General	Fundraising	Totals	
				2019	2018
Salaries	\$ 446,927	\$ 75,860	\$ 58,244	\$ 581,031	\$ 564,005
Payroll taxes and employee benefits	60,869	10,422	8,972	80,263	78,827
Class supplies	26,200	-	-	26,200	28,797
Credit card and bank fees	9,930	-	1,103	11,033	12,052
Depreciation	65,415	35,224	-	100,639	103,987
Interest	6,796	2,913	-	9,709	11,415
Leased equipment	3,225	3,225	-	6,450	5,607
Maintenance supplies	29,019	3,224	-	32,243	25,099
Models	6,605	-	-	6,605	7,900
Occupancy	55,703	6,189	-	61,892	77,904
Office expense	-	13,184	-	13,184	8,528
Postage	5,768	1,775	1,331	8,874	8,816
Printing	20,923	-	647	21,570	21,239
Professional fees	-	11,480	-	11,480	17,037
Promotion and publicity	67,967	-	1,387	69,354	57,857
Service contracts	6,904	6,904	-	13,808	17,147
Telephone	2,520	630	-	3,150	5,368
Transportation	11,555	-	-	11,555	12,007
Miscellaneous	12,692	3,615	2,462	18,769	18,654
<b>Total expenses</b>	<b>\$ 839,018</b>	<b>\$ 174,645</b>	<b>\$ 74,146</b>	<b>\$ 1,087,809</b>	<b>\$ 1,082,246</b>

See accompanying notes

# THE BAUM SCHOOL OF ART

## STATEMENT OF CASH FLOWS

Year ended June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 363,983	\$ 120,768
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	100,639	103,987
Unrealized and realized gain on investments	(46,261)	(21,950)
In-kind contributions of art inventory	(46,547)	(125,005)
Loss on sale of art inventory	18,062	-
(Increase) decrease in		
Contributions receivable	(18,206)	44,705
Accounts receivable	2,562	(439)
Prepaid expenses and other assets	(4,129)	605
Increase (decrease) in		
Accounts payable and accrued expenses	(26,610)	14,007
Deferred revenue	(3,020)	(24,655)
<b>Net cash provided by operating activities</b>	<u>340,473</u>	<u>112,023</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	374,505	499,431
Purchases of investments	(541,447)	(581,038)
Purchases of property and equipment	(23,361)	(13,706)
Proceeds from sale of art inventory	6,658	-
<b>Net cash used for investing activities</b>	<u>(183,645)</u>	<u>(95,313)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayments on line of credit	-	(32,000)
Principal payments on loan payable	(9,164)	(8,765)
<b>Net cash used for financing activities</b>	<u>(9,164)</u>	<u>(40,765)</u>
<b>Net change in cash</b>	147,664	(24,055)
<b>CASH</b>		
Beginning of year	<u>-</u>	<u>24,055</u>
<b>End of year</b>	<u>\$ 147,664</u>	<u>\$ -</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 9,709</u>	<u>\$ 11,415</u>

See accompanying notes



# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### (1) NATURE OF OPERATIONS

The Baum School of Art (the "**School**"), is a nonprofit organization organized under the laws of the Commonwealth of Pennsylvania for the purpose of teaching art to students and cultural enrichment of the community through seminars and exhibitions.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

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

#### **Financial Statement Presentation**

The School 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. The School has three classifications of net assets without donor restrictions. Operating net assets are net assets that are available for the general operations of the School. Plant net assets without donor restrictions represent the School's property and equipment less any related debt. Board designated net assets have been designated by the Board of Directors to function as an endowment with the income available for scholarships.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the School 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 School to expend the income generated in accordance with the provisions of the contribution.

#### **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 U.S. generally accepted accounting principles ("**GAAP**"). Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### **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 School. Unobservable inputs reflect the School's assumptions about the inputs market participants would use in pricing the asset or liability developed 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 School 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 School's own assumptions.

### **Accounts Receivable**

Accounts receivable are reported at the amount management expects to collect from balances outstanding at year-end. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Management believes all accounts were collectible and did not provide an allowance for uncollectible accounts. The School does not charge interest on outstanding balances.

### **Investments and Investment Income**

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as without donor restrictions.

The School invests in a professionally-managed portfolio that contains various types of securities (**See Note 3**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

### **Art Inventory**

Art inventory is art held by the School for use in its Circulating Picture Club. The art items are periodically evaluated for use, and items are occasionally sold if they no longer are deemed useful to the program. They are recorded at cost, if purchased, and fair value at the date contributed if donated. Art inventory for which this information is not available has been recorded based on insurance values.

### **Permanent Art Collection**

The School capitalizes its permanent art collection. Accessions are capitalized at cost if purchased and at fair value at the date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. Proceeds from deaccessions are used to purchase new collection items.

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# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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### **Property and Equipment**

Property and equipment are stated at cost, if purchased, and at fair value at the date contributed if donated. Depreciation is computed using the straight-line method based on estimated useful lives. The School typically capitalizes items costing or valued at \$500 or more. Routine repairs and maintenance expenses are expensed as incurred.

Furniture and equipment	3 – 10 years
Buildings and improvements	10 – 50 years

### **Deferred Revenue**

Amounts received in advance of services being rendered are reported as deferred revenue on the accompanying statement of financial position.

### **Grants and Contributions**

Grants and contributions are recorded as net assets without donor restrictions or net asset with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted grants and contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

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

### **Advertising Costs**

Advertising costs are expensed as incurred and were \$69,354 and \$57,857 for the years ended June 30, 2019 and 2018, respectively.

### **Functional Expenses**

The costs of providing the 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 included salaries, payroll taxes and employee benefits which were allocated based on estimates of time and effort. Other expenses allocated based on space occupied by function and other objective bases include credit card and bank fees, depreciation, interest, leased equipment, maintenance supplies, occupancy, postage, printing, telephone and miscellaneous expenses.

### **Income Tax Status**

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrealized business income.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The School believes that it had no uncertain tax positions.

### **Concentration of Credit Risk**

Financial instruments which potentially subject the School to concentration of credit risk are cash, contributions receivable and accounts receivable. The School maintains its cash at a financial institution and, at times, such deposits may exceed federally-insured limits. Contributions receivable are primarily from a trust and are expected to be collected in 2020. Accounts receivable are due from students currently enrolled and are expected to be collected in 2020.

# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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 School 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 School'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.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 12**).

### (3) INVESTMENTS

Investments consisted of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 27,205	\$ 56,037
Common stocks	327,479	59,123
Preferred stock	26,920	-
Corporate bonds	151,562	146,223
Equity mutual funds	37,148	46,390
Equity exchange-traded funds	<u>80,217</u>	<u>129,555</u>
	<u>\$650,531</u>	<u>\$437,328</u>

All investments are valued using Level 1 (quoted prices in active markets) valuation inputs, except for preferred stock and corporate bonds which are measured using level 2 (quoted prices in inactive markets) valuation inputs.

Investment income was comprised of the following for the years ended June 30,:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 15,321	\$ 8,441
Investment management fees	(4,823)	(4,401)
Unrealized and realized gain	<u>46,261</u>	<u>21,950</u>
	<u>\$ 56,759</u>	<u>\$ 25,990</u>

### (4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Land	\$ 481,894	\$ 481,894
Buildings and improvements	4,014,366	4,014,366
Charles C. Dent Memorial Sculpture Garden	150,615	150,615
Furniture and fixtures	142,259	142,259
Equipment	<u>327,549</u>	<u>304,188</u>
	5,116,683	5,093,322
Less accumulated depreciation	<u>(2,327,338)</u>	<u>(2,226,699)</u>
	<u>\$ 2,789,345</u>	<u>\$ 2,866,623</u>

# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Depreciation was \$100,639 and \$103,987 for the years ended June 30, 2019 and 2018, respectively.

### (5) LINE OF CREDIT

The School has a \$150,000 bank line of credit that is payable on demand. Advances under this line of credit bear interest at the prime rate (5.50% as of June 30, 2019). The line of credit matures on March 2, 2026. The outstanding balance was \$-0- at June 30, 2019 and 2018.

Interest expense on the line of credit was \$-0- and \$1,256 for the years ended June 30, 2019 and 2018, respectively.

### (6) LOAN PAYABLE

The School has a loan payable, which is secured by the School's land and building and bears interest at 4.40%. The loan requires monthly principal and interest payments of \$1,577 through March 2020.

Interest expense on the loan was \$9,709 and \$10,159 for the years ended June 30, 2019 and 2018, respectively.

### (7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<b><u>Balance July 1, 2018</u></b>	<b><u>Additions</u></b>	<b><u>Releases</u></b>	<b><u>Balance June 30, 2019</u></b>
Subject to expenditure for specific purpose				
Scholarships				
Senior tuition assistance reward (STAR)	\$ 76,929	\$ 8,307	\$ (7,215)	\$ 78,021
Summer camps	43,000	33,000	(43,000)	33,000
General	71,418	8,170	(3,788)	75,800
Other	11,650	3,800	(10,995)	4,455
Other	<u>30,924</u>	<u>30,500</u>	<u>(27,315)</u>	<u>34,109</u>
	233,921	83,777	(92,313)	225,385
Net assets to be maintained indefinitely				
Endowment with an historic dollar value of \$120,000, whose income is available to support art education and outreach	148,673	9,294	(9,145)	148,822
Permanent art collection	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
	<u>648,673</u>	<u>9,436</u>	<u>(9,149)</u>	<u>648,960</u>
	<u>\$882,594</u>	<u>\$93,071</u>	<u>\$(101,458)</u>	<u>\$874,207</u>

# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2018</u>
Scholarships				
Senior tuition assistance reward (STAR)	\$ 73,788	\$ 12,995	\$ (9,854)	\$ 76,929
Summer camps	4,760	43,000	(4,760)	43,000
General	71,497	2,986	(3,065)	71,418
Other	-	12,900	(1,250)	11,650
Other	<u>22,299</u>	<u>27,200</u>	<u>(18,575)</u>	<u>30,924</u>
	172,344	99,081	(37,504)	233,921
Net assets to be maintained indefinitely				
Endowment with an historic dollar value of \$120,000, whose income is available to support are education and outreach	147,546	10,172	(9,045)	148,673
Permanent art collection	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
	<u>647,546</u>	<u>10,172</u>	<u>(9,045)</u>	<u>648,673</u>
	<u>\$819,890</u>	<u>\$109,253</u>	<u>\$(46,549)</u>	<u>\$882,594</u>

### (9) RETIREMENT PLAN

The School has a SIMPLE IRA pension plan. The School contributed 3% of participating employees' salary to the plan. The cost to the School for the years ended June 30, 2019 and 2018 was \$10,220 and \$10,573, respectively.

### (10) ENDOWMENT FUNDS

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The School is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the School has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The School's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of income annually distributed from the endowment funds. The current spending policy is to distribute an amount up to 6.0% of a moving three-year average of the fair value of the endowment fund.

# THE BAUM SCHOOL OF ART

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Changes in the endowment assets for the year ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$115,837	\$300,646	\$416,483
Contributions	278,518	-	278,518
Investment income	30,988	25,711	56,699
Withdrawals	(101,169)	-	(101,169)
Endowment spending policy distribution	(12,924)	(12,933)	(25,857)
Released from restrictions	<u>10,781</u>	<u>(10,781)</u>	<u>-</u>
Endowment net assets, June 30, 2019	<u>\$322,031</u>	<u>\$302,643</u>	<u>\$624,674</u>

  

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$114,728	\$219,043	\$333,771
Contributions	-	77,567	77,567
Investment income	7,910	18,080	25,990
Endowment spending policy distribution	<u>(6,801)</u>	<u>(14,044)</u>	<u>(20,845)</u>
Endowment net assets, June 30, 2018	<u>\$115,837</u>	<u>\$300,646</u>	<u>\$416,483</u>

### (11) COMMITMENTS AND CONTINGENCIES

The School has elected not to be covered by Pennsylvania Unemployment Compensation. All claims for unemployment benefits must be paid by the School as they occur.

### (12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the School's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 147,664
Contribution receivable	117,810
Accounts receivable	15,773
Investments	<u>650,531</u>
Total financial assets	931,778
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(225,385)
Restricted by donor to be maintained indefinitely	(148,960)
Board-designated financial assets	<u>(322,031)</u>
Total financial assets available within one year	<u>\$ 235,402</u>

#### Liquidity Management

The School 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 School has various sources of liquidity at its disposal, including cash, money market funds, marketable debt and equity securities, and a line of credit.

# THE BAUM SCHOOL OF ART

## *NOTES TO FINANCIAL STATEMENTS*

June 30, 2019

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### **(13) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 27, 2019, which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in the financial statements.