HERBEIN
CPAS + CONSULTANTS

GoggleWorks
Center for the Arts

GOGGLEWORKS

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
GoggleWorks
Reading, Pennsylvania

We have audited the accompanying financial statements of GoggleWorks (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 in the first paragraph present fairly, in all material respects, the financial position of GoggleWorks as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.

Reading, Pennsylvania
November 10, 2020

GOGGLEWORKS

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	$ 121,276	$ 149,670
Accounts receivable, net of allowance (2019 - $5,000; 2018 - $5,000)	21,625	28,562
Current portion of pledges receivable, net	196,500	204,000
Lobby inventory	5,298	7,665
Prepaid expenses	15,039	21,891
TOTAL CURRENT ASSETS	359,738	411,788
LONG-TERM PLEDGES RECEIVABLE, NET	695,951	871,064
ENDOWMENT INVESTMENTS, AT FAIR VALUE	598,165	268,782
CHARITABLE REMAINDER TRUST RECEIVABLE	66,983	52,469
LAND, BUILDINGS, AND EQUIPMENT		
Land	428,041	428,041
Buildings and improvements	14,172,132	14,162,153
Furniture and fixtures	334,007	325,764
Equipment and software	772,435	757,682
	15,706,615	15,673,640
Less: accumulated depreciation	(6,547,772)	(6,108,439)
NET LAND, BUILDINGS, AND EQUIPMENT	9,158,843	9,565,201
TOTAL ASSETS	$ 10,879,680	$ 11,169,304

See accompanying notes.

	December 31	
	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 54,477	$ 49,836
Accrued payroll and payroll taxes	35,737	28,021
Accrued expenses	18,221	17,709
Deferred revenue	84,734	57,152
Deferred revenue for artist lease and other rentals	34,786	44,275
Security deposits	43,052	41,416
Current portion of long-term debt	100,000	100,000
TOTAL CURRENT LIABILITIES	371,007	338,409
NONCURRENT LIABILITIES		
Long-term debt	700,000	800,000
TOTAL LIABILITIES	1,071,007	1,138,409
NET ASSETS		
Without donor restrictions	8,201,183	8,604,114
With donor restrictions	1,607,490	1,426,781
TOTAL NET ASSETS	9,808,673	10,030,895
TOTAL LIABILITIES AND NET ASSETS	$ 10,879,680	$ 11,169,304

GOGGLEWORKS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Individual support	$ 342,173	$ 322,662	$ 664,835
Foundation support	354,650	-	354,650
Corporate/institutional support	37,900	-	37,900
Special events, net of expenses of $31,696	65,248	-	65,248
Net assets released from restriction	188,188	(188,188)	-
TOTAL PUBLIC SUPPORT	988,159	134,474	1,122,633
REVENUE			
Memberships	14,998	-	14,998
Artist lease and other rentals	486,094	-	486,094
Lobby sales	84,175	-	84,175
Gallery sales	5,487	-	5,487
Tuition and program fees	351,688	-	351,688
Theatre	99,903	-	99,903
Investment income, net	13,437	31,721	45,158
Net unrealized gain (loss) on charitable remainder trust	-	14,514	14,514
Interest income	1,528	-	1,528
Miscellaneous	3,622	-	3,622
TOTAL PUBLIC SUPPORT AND REVENUE	2,049,091	180,709	2,229,800
EXPENSES			
Program expenses	1,890,424	-	1,890,424
Supporting services:			
Management and general	486,366	-	486,366
Fundraising	75,232	-	75,232
TOTAL EXPENSES	2,452,022	-	2,452,022
CHANGE IN NET ASSETS	(402,931)	180,709	(222,222)
NET ASSETS AT BEGINNING OF YEAR	8,604,114	1,426,781	10,030,895
NET ASSETS AT END OF YEAR	$ 8,201,183	$ 1,607,490	$ 9,808,673

See accompanying notes.

GOGGLEWORKS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Individual support	$ 532,197	$ 1,133,165	$ 1,665,362
Foundation support	326,773	-	326,773
Corporate/institutional support	1,031	195,107	196,138
Government support	42,944	-	42,944
Grants	15,000	-	15,000
Special events, net of expenses of $59,608	21,662	-	21,662
Net assets released from restriction	50,634	(50,634)	-
TOTAL PUBLIC SUPPORT	990,241	1,277,638	2,267,879
REVENUE			
Memberships	18,480	-	18,480
Artist lease and other rentals	481,157	-	481,157
Lobby sales	142,536	-	142,536
Gallery sales	12,809	-	12,809
Tuition and program fees	329,581	-	329,581
Theatre	113,927	-	113,927
Investment income	-	1,388	1,388
Net unrealized gain (loss) on charitable remainder trust	-	(6,424)	(6,424)
Miscellaneous	10,001	-	10,001
TOTAL PUBLIC SUPPORT AND REVENUE	2,098,732	1,272,602	3,371,334
EXPENSES			
Program expenses	1,941,308	-	1,941,308
Supporting services:			
Management and general	429,354	-	429,354
Fundraising	73,745	-	73,745
TOTAL EXPENSES	2,444,407	-	2,444,407
CHANGE IN NET ASSETS	(345,675)	1,272,602	926,927
NET ASSETS AT BEGINNING OF YEAR	8,949,789	154,179	9,103,968
NET ASSETS AT END OF YEAR	$ 8,604,114	$ 1,426,781	$ 10,030,895

See accompanying notes.

GOGGLEWORKS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

		Supporting Services		
	Program Service	Management and General	Fundraising	Totals
Salaries	$ 507,726	$ 264,004	$ 62,934	$ 834,664
Employee benefits and payroll taxes	99,213	51,589	12,298	163,100
TOTAL PAYROLL AND RELATED EXPENSES	606,939	315,593	75,232	997,764
Instruction and program supplies	186,197	-	-	186,197
Theatre	53,958	-	-	53,958
Gallery	8,714	-	-	8,714
Lobby	33,407	-	-	33,407
Utilities	253,291	-	-	253,291
Repairs and maintenance	148,550	-	-	148,550
Interest	41,615	-	-	41,615
Security	40,989	-	-	40,989
Insurance	65,166	-	-	65,166
Other operating	3,437	-	-	3,437
Professional fees	-	26,940	-	26,940
Bank fees	-	22,102	-	22,102
Office	-	58,186	-	58,186
Meetings and travel	-	4,761	-	4,761
Marketing and promotion	67,612	-	-	67,612
	1,509,875	427,582	75,232	2,012,689
Depreciation	380,549	58,784	-	439,333
TOTAL EXPENSES	$ 1,890,424	$ 486,366	$ 75,232	$ 2,452,022

GOGGLEWORKS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Service	Supporting Services: Management and General	Supporting Services: Fundraising	Totals
Salaries	$ 506,260	$ 258,435	$ 62,995	$ 827,690
Employee benefits and payroll taxes	86,396	44,102	10,750	141,248
TOTAL PAYROLL AND RELATED EXPENSES	592,656	302,537	73,745	968,938
Instruction and program supplies	164,340	-	-	164,340
Theatre	55,342	-	-	55,342
Gallery	7,773	-	-	7,773
Lobby	67,346	-	-	67,346
Utilities	280,981	-	-	280,981
Repairs and maintenance	133,573	-	-	133,573
Interest	35,577	-	-	35,577
Security	36,360	-	-	36,360
Insurance	66,292	-	-	66,292
Real estate taxes	4,691	-	-	4,691
Other operating	13,455	-	-	13,455
Bad debt	7,192	-	-	7,192
Professional fees	-	39,056	-	39,056
Bank fees	-	21,703	-	21,703
Office	-	32,666	-	32,666
Meetings and travel	-	4,975	-	4,975
Marketing and promotion	78,219	-	-	78,219
	1,543,797	400,937	73,745	2,018,479
Depreciation	397,511	28,417	-	425,928
TOTAL EXPENSES	$ 1,941,308	$ 429,354	$ 73,745	$ 2,444,407

GOGGLEWORKS

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (222,222)	$ 926,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	439,333	425,928
Contributions for endowment	(297,622)	(267,394)
(Gain) loss on charitable remainder trust	(14,514)	6,424
Unrealized gain on endowment	(38,019)	(1,388)
Changes in:		
Accounts receivable	6,937	(6,348)
Pledges receivable	182,613	(1,035,378)
Lobby inventory	2,367	5,166
Prepaid expenses	6,852	(2,071)
Accounts payable	4,641	(28,353)
Accrued payroll and payroll taxes	7,716	6,276
Accrued expenses	512	(1,270)
Deferred revenue	18,093	6,245
Security deposits	1,636	872
NET CASH PROVIDED BY OPERATING ACTIVITIES	98,323	35,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, and equipment	(32,975)	(21,995)
Purchase of endowment investments	(291,364)	(267,394)
NET CASH USED BY INVESTING ACTIVITIES	(324,339)	(289,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(100,000)	(65,000)
Contributions for endowment	297,622	267,394
NET CASH PROVIDED BY FINANCING ACTIVITIES	197,622	202,394
NET DECREASE IN CASH	(28,394)	(51,359)
CASH AT BEGINNING OF YEAR	149,670	201,029
CASH AT END OF YEAR	$ 121,276	$ 149,670
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 41,615	$ 35,577
NONCASH FINANCING ACTIVITIES		
Term out of line of credit to long-term debt	$ -	$ 900,000

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
GoggleWorks Center for the Arts (the "Organization") is a nonprofit organization which serves the Berks County area and beyond. The Organization is a community arts center and its mission is to nurture the arts, foster creativity, promote education, and enrich the community.

Basis of Accounting
The financial statements of GoggleWorks Center for the Arts have been prepared on the accrual basis of accounting and in conformance with accounting principles generally accepted in the United State of America.

Cash
For purposes of the statements of cash flows, the Organization considers cash deposited in bank accounts, as well as highly-liquid investments, to be cash on the accompanying statement of financial position.

At various times during the year, the Organization may have cash balances in excess of the federally insured limit in a deposit account.

Investments
Investments in debt and marketable securities are measured at fair value in the statement of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Additionally, there is heightened risk for negative impact on market performance and the investment portfolio due to the ongoing COVID-19 pandemic. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Accounts Receivable
Accounts receivable are shown net of an allowance for uncollectibles, as applicable. Receivables in excess of 90 days are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount management believes is adequate. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Lobby Inventory
Lobby inventory is stated at the lower of cost or net realizable value. The first-in, first-out method is used for inventory.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Land, Buildings, and Equipment
Purchased land, buildings, and equipment are capitalized at cost. Donations of land, buildings, and equipment are recorded as contributions at their fair market value. The Organization's policy is to capitalize any assets in excess of $1,000 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	5 - 39 years
Furniture and fixtures	5 years
Equipment and software	3 - 5 years

Maintenance and repairs of buildings and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Projects in progress is stated at cost and consists primarily of costs incurred. No provision for depreciation is made on projects in progress until the assets are complete and placed into service.

Net Assets
The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities* (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received* and *Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right or release of a promisors obligation to transfer assets.

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions be met before the contribution is made are not recorded until the conditions are met.

In addition to contributions included as support on the statement of activities, the Organization offers various levels of memberships that are recognized under contribution guidance. Benefits vary based on the membership level and are minimal in utilization and cost and are not separately valued from the membership fees as an exchange/contract.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB), Accountings Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Organization recognizes revenue when control of the promised service is transferred to the Organization's outside parties in an amount that reflects the consideration. The Organization expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization records the following exchange transaction revenue in its statement of activities:

<u>Lobby and Gallery Sales</u>

The Organization sells various works of art and promotional items. The lobby also sells various concession items for the theatre. Prices will vary depending on the item(s) purchased. No refunds are offered on goods sold. As there is only one performance obligation, the revenue is recognized when the sale occurs and the performance obligation is met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

Gift cards

The Organization also sells gift cards that allow for a future benefit to be provided at a future date to the cardholder. Gift cards sold and associated balances are tracked through deferred revenue. No refunds are offered on gift card purchases. Revenue is recognized when the cardholder uses the gift card and the performance obligation is met. Deferred revenue related to gift cards totaled $56,474 and $53,058 at December 31, 2019 and 2018, respectively.

Tuition and Program Fees

The Organization offers a significant number of classes and programs available for the public to sign up for/purchase. Classes and programs are offered seasonally. The Organization will issue a full refund if a registrant cancels their registration seven days prior to the start of the class. No refunds are offered or issued within one week of the first day of the schedule class nor are partial refunds offered for missed classes.

Individuals with memberships receive a 15% discount on eligible classes and workshops. Discounts are taken at the time of registration and have no impact on future programs or classes.

Under ASC 606, management considers all tuition and program fees to be a contract with a customer. Revenue by class type is detailed below.

Single/Class Program

Single classes can be paid for in advance or, at times, at the time of the class/program. Fees must be paid by the start of the class/program. The tuition/program fee is recognized when the class/program occurs and the performance obligation is met.

Multi-Session Class

Multi-session classes must be paid for in advance. The classes typically run from 2-5 sessions per class. A contractual obligation is created at the time of registration between the Organization and the class/program registrant. The sessions provided are the performance obligations. The number of performance obligations depends on the number of sessions provided for the class/program. The transaction price will vary based on the type of class/program provided. The transaction price is allocated based upon the stand-alone selling price of each performance obligation. The performance obligation for the class/program is satisfied ratably over the sessions for each class/program with revenue being recognized based on the allocation per session as each session is completed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

Tuition and Program Fees - continued

Passport
Passport registration is for month long access to a specific workshop being offered by the Organization. Registration must be paid before the start of the registered month. A contractual obligation is created at the time of registration between the Organization and the passport registrant. While performance obligations will vary based on the number of days in the month, management has determined the full month will be considered a single performance obligation due to the short duration of the contract. The transaction price is allocated based upon the stand-alone selling price of each performance obligation. The transaction price paid is recognized a month end with the performance obligation is met.

Deferred revenue related to tuition and program fees totaled $28,260 and $4,094 at December 31, 2019 and 2018, respectively.

Theatre Ticket Sales
The Organization operates a film theater that runs various arts films. Tickets can only be purchased at the theatre on the day of the show. No refunds are offered for theatre ticket sales. Revenue is recognized when the sale/show occurs and the performance obligation is met.

Special Events
The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities. For special event fees received before year-end for an event to occur after year-end, the Organization treats the inherent contribution as conditioned on the event taking place and is therefore treated as deferred revenue along with the exchange component. Revenue is recognized when the event is held and the performance obligation is met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services and Materials

Gifts of property and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities). Donated materials, furniture, fixtures, equipment, and certain services are reflected as contributions at their estimated fair value at the date of receipt.

A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year, however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Functional Expense Allocations

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Organization’s estimate of time spent by key personnel between functions and related expenses incurred for the programs and supporting services benefited.

Tax-Exempt Status

The Organization is exempt from income taxes by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events
In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through November 10, 2020, the date the financial statements were available to be issued.

Accounting Pronouncements Adopted
The Organization adopted FASB No. 2014-09, ASU 606, *Revenue from Contracts with Customers* (“Topic 606”), on January 1, 2019. Topic 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The financial statements reflect the application of ASC 606 guidance using the modified retrospective approach with an application to all contract open as of January 1, 2019. There was no impact on revenue recognized or net assets for the year ended December 31, 2019.

During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. Topic 958 was applied, with no effect on the financial statements as a result of the adoption.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are recognized when a donor makes a promise to give that is, in substance, unconditional. All pledges are recorded as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible monies receivable. The allowance method is based on prior years’ experience and management’s analysis of specific promises made. The pledges include amounts related to the capital campaign as well as pledges receivable for operations and programs.

NOTE 2 - PLEDGES RECEIVABLE - CONTINUED

Pledges receivable at December 31 are as follows:

	2019	2018
Receivable in less than one year	$ 262,500	$ 270,000
Receivable in one to five years	725,000	910,000
Total unconditional pledges receivable	987,500	1,180,000
Less discounts to present value (4.17% - 2019, 4.47% - 2018)	(29,049)	(38,936)
Less allowance for uncollectible amounts	(66,000)	(66,000)
Net unconditional pledges receivable	$ 892,451	$ 1,075,064

NOTE 3 - RELATED PARTY TRANSACTIONS

In 2019, the Organization received support totaling $100,833 from one of its board members. At December 31, 2019, the Organization also has a pledge receivable totaling $800,000, restricted for paying down the remaining long-term debt from the board member.

In 2018, the Organization received support totaling $1,104,503 from one of its board members. The support included $100,000 to pay down debt in 2018, $104,503 without donor restriction, and $900,000 included in pledges receivable restricted for paying down the remaining long-term debt.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31:

	2019	2018
Money market	$ 71,171	$ 268,782
Mutual funds	526,994	-
	$ 598,165	$ 268,782

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investment income at December 31 is as follows:

	2019	2018
Interest and dividend income	$ 7,139	$ 1,388
Unrealized gains	38,019	-
	$ 45,158	$ 1,388

Financial accounting standards require the use of fair value measurement. The Organization, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these financial statements as follows:

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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 December 31, 2019.

Endowment Investments
Custodians hold investments of the Organization in accordance with the investment policy of the Organization. Investments are comprised of money market and mutual funds for which fair value is based on quoted market prices in an active market. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the custodian are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s Level 1 assets at fair value as of December 31:

	2019	2018
Mutual funds	$ 526,994	$ -

NOTE 5 - ENDOWMENT

The Organization received its first endowment contributions during calendar year 2018. The Organization’s endowment consists of contributions with restrictions from donors to be held in perpetuity. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Effective January 1, 2019, the Board of Directors adopted investment and spending policy elections pursuant to Section 5548 of the Pennsylvania Nonprofit Corporation Law. Consistent with that election, the endowment funds must be invested for total return, whether the return is derived from capital appreciation, earnings, or distributions with respect to capital or both, as provided in Section 5548(c)(2) of the Nonprofit Corporation Law. In accordance with this election and statutory directive, the Board of Directors has established investment guidelines that authorize investment of a portion of the fund in equities and a portion of the fund in fixed income instruments.

NOTE 5 - ENDOWMENT - CONTINUED

Also consistent with the statutory election, the Board of Directors has adopted a spending rule pursuant to which the Organization shall distribute no less than 2% of the endowment value and no more than 7% of the endowment value each year. Pursuant to Pennsylvania statute, the percentage must be determined annually and must be consistent with the long-term preservation of the real value of the assets in the fund. The percentage must also be consistent with certain guidance and limitations contained in the gift instrument that created the endowment. Consistent with the statute and the proposed initial percentage contained in the gift instrument, the Organization elected to spend 5% of the fund value during 2019. The annual spending percentage is to be determined based upon the fair market value of the assets in the fund averaged over a period equal to the shorter of the life of the fund and the three preceding years, as provided in Section 5548(c)(5) of the Nonprofit Corporation Law.

Underwater Endowment Funds: The financial accounting standards board considers a fund to be underwater if the fair market value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the director of the applicable donor gift instrument. The Organization has no underwater endowment funds at December 31, 2019.

	2019	2018
Endowment, beginning of year	$ 268,782	$ -
Contributions	297,662	267,394
Interest income	7,139	1,388
Unrealized gains on investment	38,019	-
Spending policy appropriations	(13,437)	-
Endowment, end of year	$ 598,165	$ 268,782

NOTE 6 - CHARITABLE REMAINDER TRUST RECEIVABLE

The Organization is the beneficiary to a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to designated beneficiaries over the trust's term. Under terms of the trust agreement, the Organization is to receive the trust principal as then constituted and any accrued or undistributed net income upon the death of the surviving beneficiary or the expiration of the trust in October 2020. The estimated value of the trust, less the annuity amounts owed to the beneficiary throughout the term of the trust, was $66,983 and $52,469 as of December 31, 2019 and 2018, respectively.

NOTE 7 - LINE OF CREDIT AND NOTE PAYABLE

On May 10, 2019, the Organization entered into an agreement with a local bank for a revolving line of credit totaling $150,000. Balances accrue interest to be paid monthly at 0.5% per annum above the prime rate (5.25% at December 31, 2019). There was no outstanding balance for the year ended December 31, 2019.

Long-term debt obligations are summarized as follows at December 31:

	2019	2018
Note payable to a bank in the amount of $900,000. Principal on the note is due annually in installments of $100,000 each, commencing January 31, 2019 and continuing up to and including January 31, 2021, with a final installment consisting of all remaining unpaid principal due and payable in full November 30, 2021. Interest at a rate of 2.5% is to be paid on the last day of each month, commencing on December 31, 2018. This note is secured by a personal guarantee of a member of the board of directors.	$ 800,000	$ 900,000
Portion payable within one year and classified as current	(100,000)	(100,000)
	$ 700,000	$ 800,000

Maturities on long-term debt are as follows for the year ending December 31, 2019:

2020	$ 100,000
2021	700,000
Total	$ 800,000

Interest expense totaled $41,615 and $35,577 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 - NET ASSETS

The Organization's net assets without donor restrictions are comprised of undesignated funds. From time to time, the Board may designate a portion of net assets for specific purposes which would be included with net assets without donor restrictions.

NOTE 8 - NET ASSETS - CONTINUED

Net assets with donor restrictions are summarized as follows at December 31:

	2019	2018
Time and purpose:		
Time and repayment of long-term debt	$ 892,451	$ 1,074,564
Esherick exhibition	25,000	-
"Permanent Residency" exhibition	10,393	15,768
Visiting artists	14,498	15,198
Charitable remainder trust	66,983	52,469
Subtotal time and purpose	1,009,325	1,157,999
Endowment	598,165	268,782
Subtotal perpetuity	598,165	268,782
Total net assets with donor restrictions	$ 1,607,490	$ 1,426,781

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes at December 31 as follows:

	2019	2018
Arts Festival	$ -	$ 10,000
Pledges received for operations and repayment of long-term debt	182,113	25,000
Visiting artists	700	7,102
"Permanent Residency" exhibition	5,375	8,532
	$ 188,188	$ 50,634

NOTE 9 - CONCENTRATION OF REVENUE

During the year ended December 31, 2019, the Organization received a significant amount of support from a foundation. The revenue from the foundation totaled approximately 17% of the Organization's support for the year ended December 31, 2019.

During the year ended December 31, 2018, the Organization received a significant amount of support from a board member as referenced in Note 3 - Related Party Transactions. Support from the board member totaled 49% of the Organization's revenue for the year ended December 31, 2018.

NOTE 10 - SPECIAL EVENT REVENUES AND EXPENSES

Special event revenues and expenses are summarized as follows as of December 31:

	2019		
	Revenue from Events	Expenses	Net
Avante Garden Event	$ 60,985	$ 12,061	$ 48,924
Arts Festival	33,978	14,033	19,945
Other	1,981	5,602	(3,621)
	$ 96,944	$ 31,696	$ 65,248

	2018		
	Revenue from Events	Expenses	Net
Annual Dinner - Gala	$ 37,417	$ 31,379	$ 6,038
Arts Festival	38,880	21,921	16,959
Other	4,973	6,308	(1,335)
	$ 81,270	$ 59,608	$ 21,662

NOTE 11 - RETIREMENT PLAN

Effective February 1, 2018, Goggleworks implemented a 403(b) retirement plan, which provides for voluntary salary deferrals and participant-directed investments for its employees. Employees are eligible to participate in the plan and make elective deferrals upon employment. Employees may elect to contribute up to 100% of their salaries, with a maximum contribution of the amount allowable under federal law. Employees are eligible for discretionary employer contributions once they have reached 21 years of age and completed at least 500 hours during the first six months of service or 1,000 hours of service. Total Goggleworks contributions to the plan, charged to expense for 1% employer match, were $9,669 and $7,296 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 - COVID-19 AND PAYCHECK PROTECTION PROGRAM LOAN

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of the disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Organization suspended activities during the pandemic and has since resumed operations on a limited basis. The Organization's line of credit is also in use at DATE, 2020, with an outstanding balance totaling $85,000. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate the impact.

In April 2020, the Organization was approved for a Small Business Administration Paycheck Protection Program Loan in the amount of $224,065 at a 1.00% fixed interest rate through the United States Small Business Administration, administered by a local bank, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On June 5, 2020, the Paycheck Protection Flexibility Act was signed into law, which allows the Organization and the lender to amend certain terms of the loan in accordance with the Act. The Organization has applied for forgiveness of the loan as certain requirements regarding qualifying expenses have been met.

NOTE 13 - AVAILABILITY OF FINANICAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year because of donor-imposed restrictions. The Organization's financial assets include cash, receivables, and investments. The Organization has limitations on those assets consisting of restricted funds.

	2019	2018
Cash	$ 119,276	$ 149,670
Accounts receivable	21,625	28,562
Pledges receivable	894,451	1,075,064
Investments	598,165	268,782
Charitable remainder trust receivable	66,983	52,489
Total financial assets	1,700,500	1,574,567
Less:		
Contractual or donor-imposed restrictions:		
Other time and purpose restrictions	(942,342)	(1,105,530)
Endowment fund	(598,165)	(268,782)
Charitable remainder trust receivable	(66,983)	(52,489)
Total financial assets available to meet cash needs for general expenditures within one year	93,010	147,766
Plus line of credit	150,000	-
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	$ 243,010	$ 147,766

To help manage unanticipated liquidity needs, the Organization has a line of credit totaling $150,000 which it could draw upon at December 31, 2019.

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.