GoggleWorks Center for the Arts

GOGGLEWORKS

FINANCIAL AND COMPLIANCE REPORT

Years Ended December 31, 2023 and 2022

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Herbein
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
GoggleWorks
Reading, Pennsylvania

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of GoggleWorks (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GoggleWorks as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GoggleWorks and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GoggleWorks' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GoggleWorks' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2024, on our consideration of GoggleWorks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GoggleWorks' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GoggleWorks' internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
August 13, 2024

GOGGLEWORKS

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 245,435	$ 634,808
Artist lease and other rental receivables, net of allowance (2023 - $5,000; 2022 - $5,000)	23,796	27,034
Tuition and program fee receivables	13,027	6,446
Grant receivables	22,516	16,535
Store inventory - art	35,978	42,459
Prepaid expenses	27,972	25,963
TOTAL CURRENT ASSETS	368,724	753,245
NONCURRENT ASSETS		
Investments, at fair value	10,212,894	9,042,447
Land, buildings and equipment:		
Land	428,041	428,041
Buildings and improvements	14,251,664	14,242,664
Furniture and fixtures	344,229	334,007
Equipment and software	969,966	959,419
Construction in progress	1,755,451	33,874
	17,749,351	15,998,005
Less: accumulated depreciation	(8,111,580)	(7,700,810)
Net land, buildings, and equipment	9,637,771	8,297,195
Right-of-use asset - finance lease	4,846	7,490
TOTAL NONCURRENT ASSETS	19,855,511	17,347,132
TOTAL ASSETS	$ 20,224,235	$ 18,100,377

See accompanying notes.

	December 31	
	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of credit	$ 255,000	$ 140,000
Accounts payable	148,333	150,139
Accrued payroll and payroll taxes	64,198	53,373
Accrued expenses	3,446	3,050
Deferred revenue	116,893	363,587
Deferred revenue for artist leases and other rentals	21,278	44,042
Security deposits	44,629	37,765
Current portion of finance lease liability	2,664	2,628
TOTAL CURRENT LIABILITIES	656,441	794,584
NONCURRENT LIABILITY		
Noncurrent portion of finance lease liability	2,248	4,913
TOTAL LIABILITIES	658,689	799,497
NET ASSETS		
Without donor restrictions	9,144,522	7,924,349
With donor restrictions	10,421,024	9,376,531
TOTAL NET ASSETS	19,565,546	17,300,880
TOTAL LIABILITIES AND NET ASSETS	$ 20,224,235	$ 18,100,377

GOGGLEWORKS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Individual support	$ 203,942	$ -	$ 203,942
Foundation support	155,083	35,702	190,785
Corporate/institutional support	913,796	167,428	1,081,224
Government support	1,040,619	-	1,040,619
Net assets released from restriction	329,084	(329,084)	-
TOTAL PUBLIC SUPPORT	2,642,524	(125,954)	2,516,570
REVENUE			
Memberships	21,400	-	21,400
Artist leases and other rentals	516,910	-	516,910
Store sales - art	159,070	-	159,070
Gallery sales	1,347	-	1,347
Tuition and program fees	443,604	-	443,604
Theatre	60,089	-	60,089
Investment return	351,175	1,170,447	1,521,622
Interest income	5,775	-	5,775
Miscellaneous	26,794	-	26,794
TOTAL REVENUE	1,586,164	1,170,447	2,756,611
TOTAL PUBLIC SUPPORT AND REVENUE	4,228,688	1,044,493	5,273,181
EXPENSES			
Program expenses	2,190,932	-	2,190,932
Supporting services:			
Management and general	702,769	-	702,769
Fundraising	114,814	-	114,814
TOTAL EXPENSES	3,008,515	-	3,008,515
CHANGE IN NET ASSETS	1,220,173	1,044,493	2,264,666
NET ASSETS AT BEGINNING OF YEAR	7,924,349	9,376,531	17,300,880
NET ASSETS AT END OF YEAR	$ 9,144,522	$ 10,421,024	$ 19,565,546

GOGGLEWORKS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Individual support	$ 234,720	$ -	$ 234,720
Foundation support	113,906	116,578	230,484
Corporate/institutional support	95,748	-	95,748
Government support	139,767	-	139,767
Net assets released from restriction	63,072	(63,072)	-
TOTAL PUBLIC SUPPORT	647,213	53,506	700,719
REVENUE			
Memberships	19,235	-	19,235
Artist leases and other rentals	524,040	-	524,040
Store sales - art	134,319	-	134,319
Gallery sales	3,657	-	3,657
Tuition and program fees	315,431	-	315,431
Theatre	37,053	-	37,053
Investment return	206,277	(2,139,172)	(1,932,895)
Interest income	756	-	756
Miscellaneous	4,546	-	4,546
TOTAL REVENUE	1,245,314	(2,139,172)	(893,858)
TOTAL PUBLIC SUPPORT AND REVENUE	1,892,527	(2,085,666)	(193,139)
EXPENSES			
Program expenses	1,953,082	-	1,953,082
Supporting services:			
Management and general	564,956	-	564,956
Fundraising	102,519	-	102,519
TOTAL EXPENSES	2,620,557	-	2,620,557
CHANGE IN NET ASSETS	(728,030)	(2,085,666)	(2,813,696)
NET ASSETS AT BEGINNING OF YEAR	8,652,379	11,462,197	20,114,576
NET ASSETS AT END OF YEAR	$ 7,924,349	$ 9,376,531	$ 17,300,880

See accompanying notes.

GOGGLEWORKS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Service	Supporting Services: Management and General	Supporting Services: Fundraising	Totals
Salaries	$ 740,696	$ 361,272	$ 84,475	$ 1,186,443
Employee benefits and payroll taxes	144,787	70,620	16,513	231,920
TOTAL PAYROLL AND RELATED EXPENSES	885,483	431,892	100,988	1,418,363
Instruction and program supplies	233,735	-	-	233,735
Theatre	32,869	-	-	32,869
Gallery	14,222	-	-	14,222
Lobby	68,513	-	-	68,513
Utilities	285,058	71,265	-	356,323
Repairs and maintenance	109,289	4,553	-	113,842
Interest	25,880	84	-	25,964
Security	5,823	-	-	5,823
Insurance	68,775	17,194	-	85,969
Other operating	13,264	-	-	13,264
Amortization of finance lease	-	2,644	-	2,644
Real estate taxes	1,372	-	-	1,372
Professional fees	-	46,488	-	46,488
Bank fees	-	24,284	-	24,284
Office	-	44,242	438	44,680
Meetings and travel	-	-	13,388	13,388
Marketing and promotion	86,402	9,600	-	96,002
	1,830,685	652,246	114,814	2,597,745
Depreciation	360,247	50,523	-	410,770
TOTAL EXPENSES	$ 2,190,932	$ 702,769	$ 114,814	$ 3,008,515

GOGGLEWORKS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Service	Supporting Services: Management and General	Supporting Services: Fundraising	Totals
Salaries	$ 628,667	$ 301,327	$ 82,189	$ 1,012,183
Employee benefits and payroll taxes	126,636	60,698	16,556	203,890
TOTAL PAYROLL AND RELATED EXPENSES	755,303	362,025	98,745	1,216,073
Instruction and program supplies	193,617	-	-	193,617
Theatre	28,763	-	-	28,763
Gallery	19,735	-	-	19,735
Lobby	56,438	-	-	56,438
Utilities	235,826	58,956	-	294,782
Repairs and maintenance	108,036	4,501	-	112,537
Interest	6,300	120	-	6,420
Security	33,519	-	-	33,519
Insurance	55,125	13,781	-	68,906
Other operating	3,819	-	-	3,819
Amortization of finance lease	-	2,643	-	2,643
Bad debt - artist leases and other rentals	18,720	-	-	18,720
Professional fees	-	28,127	-	28,127
Bank fees	-	25,966	-	25,966
Office	-	42,672	438	43,110
Meetings and travel	-	-	3,336	3,336
Marketing and promotion	80,260	8,918	-	89,178
	1,595,461	547,709	102,519	2,245,689
Depreciation	357,621	17,247	-	374,868
TOTAL EXPENSES	$ 1,953,082	$ 564,956	$ 102,519	$ 2,620,557

GOGGLEWORKS

STATEMENTS OF CASH FLOWS

	Year Ended December 31 2023		Year Ended December 31 2022	
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	2,264,666	$	(2,813,696)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		410,770		374,868
Amortization of finance lease		2,644		2,643
Gain on investments		(1,114)		(1,986)
Unrealized (gain) loss on investments		(1,241,896)		2,132,772
Changes in:				
Accounts receivable		(9,324)		(10,511)
Store inventory - art		6,481		83
Prepaid expenses		(2,009)		(7,403)
Accounts payable		(1,806)		120,120
Accrued payroll and payroll taxes		10,825		(8,907)
Accrued expenses		396		1,088
Deferred revenue		(269,458)		238,049
Security deposits		6,864		2,196
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,177,039		29,316
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of land, buildings, and equipment		(1,751,346)		(252,712)
Proceeds from sales of investments		348,760		555,887
Purchase of investments		(276,197)		(208,661)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(1,678,783)		94,514
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from lines of credit		115,000		140,000
Repayments of finance lease liability		(2,629)		(2,592)
NET CASH PROVIDED BY FINANCING ACTIVITIES		112,371		137,408
NET INCREASE (DECREASE) IN CASH		(389,373)		261,238
CASH AT BEGINNING OF YEAR		634,808		373,570
CASH AT END OF YEAR	$	245,435	$	634,808
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash paid during the year for interest	$	25,880	$	6,300
Cash paid for interest on finance lease		84		120
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES				
Right-of-use asset - finance lease in exchange for finance lease liabilities	$	-	$	10,134

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
GoggleWorks (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 have been prepared on the accrual basis of accounting and in conformity 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 statements 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.

Accounts Receivable
Accounts receivable are recorded primarily for program service fees. The Organization uses the allowance method to provide for any accounts receivable which may be unrecoverable and is based upon an analysis of the Organization's prior collection experience, current economic trends, and supportable future forecasts.

Allowance for Credit Losses
The Organization maintains an allowance for credit losses for expected uncollectible accounts receivable, which is recorded as an offset to accounts receivable and provisions for credit losses are recorded in expenses in the statements of functional expenses. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance for current expected credit losses is based on a review of customer accounts and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts regarding future events and any other factors deemed relevant by the Organization. The allowance for credit losses is reviewed on an annual basis to assess the adequacy of the allowance. The allowance for credit losses of $5,000 was recorded for the years ended December 31, 2023 and 2022.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery or if any invoice has aged greater than one year. If any recoveries are made from any accounts previously written off, they will be recognized in revenue or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. Total write-offs were $0 and $18,720 for the years ended December 31, 2023 and 2022, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Store Inventory - Art

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

Investments

Investments in mutual funds are measured at fair value in the statements of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statements 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. Due to the level of risk associated with certain investments, 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 statements of financial position.

Land, Buildings, and Equipment

Purchased land, buildings, and equipment are stated at cost, if purchased, and at estimated fair market value at date of donation, if donated. The Organization's policy is to capitalize any assets in excess of $1,000 with an estimated useful life of more than one year. Buildings and equipment are being depreciated over their estimated useful lives by the straight-line method 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. Construction in progress is stated at cost and consist primarily of costs incurred. No provision for depreciation is made on projects in progress until the assets are complete and placed into service.

Leases

The Organization is the lessee of a copier. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The copier was determined to be a finance lease and is included in right-of-use asset - finance lease and finance lease liability on the statements of financial position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued
The Organization elected the practical expedient to not recognize right-of-use (ROU) assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liabilities will be recorded.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The finance lease ROU assets also include any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred. Variable costs are contractually obligated and relate primarily to annual changes in the monthly lease payments based on actual usage. There are no associated variable lease costs with the lease noted above.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

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 restriction and reported in the statements of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - continued
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.

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 promisor's 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.

Conditional contributions are recorded as revenue when the related barrier is overcome, and the Organization is entitled to the assets transferred and/or promised. The Organization recognized advanced grant revenue of $37,500 and $250,000 at December 31, 2023 and 2022, respectively, which represent conditional contributions advanced to the Organization prior to the Organization meeting the criteria required to be entitled to those assets and were reported as deferred revenue. Related advanced grant revenue at January 1, 2022 totaled $63,643.

In addition to contributions included as support on the statements 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets

Gifts of contributed nonfinancial assets 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 contributed nonfinancial assets in the accompanying financial statements at their estimated fair value at the date of receipt. At December 31, 2023 and 2022, there were no amounts reported as contributed nonfinancial assets.

A substantial number of volunteers, including board members, have donated significant hours to the Organization's operations, program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not meet the requirements for recognition.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (ASC 606)*, which applies to exchange transactions with customers that are bound by contract or similar arrangement and establishes a performance obligation approach to revenue recognition.

<u>Store 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.

<u>Gift Cards</u>

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 $39,707 and $69,357 at December 31, 2023 and 2022, respectively. Related deferred revenue at January 1, 2022 totaled $63,643.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

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.

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 at month end when the performance obligation is met.

Accounts receivable related to tuition and program fees totaled $13,027 and $6,446 at December 31, 2023 and 2022, respectively. Related accounts receivable at January 1, 2022 were $1,267.

Deferred revenue related to tuition and program fees totaled $39,686 and $44,230 at December 31, 2023 and 2022, respectively. Related deferred revenue at January 1, 2022 totaled $25,114.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

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.

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 estimates made by management, including estimates of time spent by key personnel between functions and related expenses incurred for the programs and supporting services benefited.

Reclassification

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

Tax-Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization annually 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, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 amount of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through August 13, 2024, the date the financial statements were available to be issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Adoption of Accounting Pronouncements
In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments total $10,212,894 and $9,042,447 at December 31, 2023 and 2022, respectively.

Investment return at December 31 is as follows:

	2023	2022
Interest and dividend income	$ 278,612	$ 197,891
Realized gain	1,114	1,986
Unrealized gains/(losses)	1,241,896	(2,132,772)
	$ 1,521,622	$ (1,932,895)

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Generally accepted accounting principles establishes a framework for measuring 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.

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, 2023.

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.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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:

	2023	2022
Money market	$ -	$ 485,784
Mutual funds:		
Bond market index admiral class	-	2,465,762
Emerging markets stock index admiral class	-	248,281
Developed markets index admiral class	-	1,444,700
Core bond fund admiral class	1,012,439	-
Total investment grade admiral class	1,025,035	-
Total international bond index fundn	894,062	-
Total international stock index fundn	2,843,516	-
Total stock market index admiral class	4,437,842	4,397,920
Total mutual funds	10,212,894	8,556,663
Total	$ 10,212,894	$ 9,042,447

NOTE 3 - ENDOWMENT

The Organization received its first endowment contributions during calendar year 2018. The Organization's endowment includes 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 3 - 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 the fiscal years ending December 31, 2023 and 2022. 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 twelve preceding quarters, 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 direction of the applicable donor gift instrument. The Organization's endowment fund is underwater by $336,234 with original and subsequent gifts restricted in perpetuity totaling $10,549,128 and a fair value of $10,212,894 at December 31, 2023. The Organization's endowment fund was underwater in the prior year by $1,506,681 with original and subsequent gifts restricted in perpetuity totaling $10,549,128 and a fair value of $9,042,447 at December 31, 2022. The Organization allows spending from the fund while in underwater status within the spending guidelines noted above.

	2023	2022
Endowment, beginning of year	$ 9,042,447	$ 11,164,424
Interest and dividends	278,612	194,112
Realized gains on investment	1,114	1,922
Unrealized (losses) gains on investment	1,241,896	(2,103,575)
Spending policy appropriations	(351,175)	(214,436)
Endowment, end of year	$ 10,212,894	$ 9,042,447

NOTE 4 - LINES OF CREDIT

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 (9.00% and 8.00% at December 31, 2023 and 2022, respectively). There were outstanding balances of $55,000 and $0 at December 31, 2023 and 2022, respectively.

On September 1, 2022, the Organization entered into an agreement with a local bank for a revolving line of credit totaling $300,000. Balances accrue interest to be paid monthly at 0.325% per annum over the secured overnight financing rate (8.612% and 7.586% at December 31, 2023 and 2022, respectively). There was an outstanding balance of $200,000 and $140,000 at December 31, 2023 and 2022, respectively.

Interest expense on the lines of credit totaled $25,880 and $6,300 for the years ended December 31, 2023 and 2022, respectively.

Subsequent to year end and as of the report date, the lines of credit had outstanding balances of $138,000 and $287,000, respectively. Both lines renew automatically and are secured by all property and assets of the Organization.

NOTE 5 - LEASES

GoggleWorks entered into a finance lease for a copier in November 2020. The lease is for a five-year term beginning November 5, 2020 and ending October 4, 2025.

The Organization included the following amounts related to finance lease assets and liabilities with the statements of financial position:

		December 31 2023	December 31 2022
Assets	Classification		
Right-of-use asset	Finance lease	$ 4,846	$ 7,490
Liabilities			
Lease liability	Current portion of finance lease	$ 2,664	$ 2,628
Lease liability	Noncurrent portion of finance lease	2,248	4,913
	Total lease liabilities	$ 4,912	$ 7,541

NOTE 5 - LEASES - CONTINUED

The components of lease expense were as follows for the years ended December 31:

	2023	2022
Finance lease amortization	$ 2,644	$ 2,643
Interest on finance lease liability	84	120

Supplemental cash flow information related to leases was as follows for the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance lease (i.e. principal portion)	$ 2,629	$ 2,592
Right-of-use assets obtained in exchange for lease obligations:		
Finance lease	$ -	$ 10,134

Supplemental balance sheet information related to leases was as follows:

	2023	2022
Weighted Average Remaining Lease		
Finance lease	1.83 years	2.83 years
Weighted Average Discount Rate		
Finance lease	1.37%	1.37%

Maturities of lease liabilities are as follows for the years ending December 31:

	Finance Lease
2024	$ 2,712
2025	2,259
Total lease payments	4,971
Less: present value discount	(59)
Total	$ 4,912

NOTE 6 - NET ASSETS

The Organization's net assets without donor restrictions of $9,144,522 are comprised of undesignated funds of $9,144,122 and board designated funds of $3,400 as of December 31, 2023. The Organization's net assets without donor restrictions of $7,924,349 were comprised of undesignated funds totaling $7,911,949 and board designated funds of $12,400 as of December 31, 2022. 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.

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

	2023	2022
Time and Purpose:		
Beyond the Bricks	$ 167,428	$ 317,505
Art in the Garden grant	-	7,681
North of Penn community group grant	5,000	5,000
Shatter our Fears mobile programming grant	-	3,898
Horn Foundation Visiting Artists	35,702	-
Subtotal time and purpose	208,130	334,084
Perpetuity:		
Endowment	10,212,894	9,042,447
Total net assets with donor restrictions	$ 10,421,024	$ 9,376,531

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

	2023	2022
Visiting artists	$ -	$ 5,848
"Permanent Residency" exhibition	-	4,393
BCCF DEI	-	2,500
Art in the Garden Grant	7,681	16,337
Beyond the Bricks	317,505	33,994
Shatter Your Fears Mobile	3,898	-
	$ 329,084	$ 63,072

NOTE 7 - CONCENTRATION OF REVENUE

The Organization typically discloses significant amounts of revenue that exceed 10% of annual revenue. During the year ended December 31, 2023, the Organization received a significant amount of revenue from a corporation. The revenue from the corporation totaled approximately 19% of the Organization’s revenue for the year ended December 31, 2023.

During the year ended December 31, 2022, there were no amounts of support received that exceeded 10% of annual revenue.

NOTE 8 - 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 $8,640 and $9,577 for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 - AVAILABILITY OF FINANICAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year because of donor-imposed restrictions and board designations. The Organization's financial assets include cash, receivables, and investments. The Organization has limitations on those assets consisting of restricted funds.

	2023	2022
Cash	$ 245,435	$ 634,808
Accounts receivable	59,339	50,015
Investments	10,212,894	9,042,447
Total financial assets	10,517,668	9,727,270
Less:		
Board designations	(3,400)	(12,400)
Contractual or donor-imposed restrictions:		
Other time and purpose restrictions	(208,130)	(334,084)
Endowment fund	(10,212,894)	(9,042,447)
Total financial assets available to meet cash needs for general expenses within one year	93,244	338,339
Plus endowment funds available for general expenses in subsequent year based on spending policy	506,997	348,761
Plus available lines of credit	195,000	310,000
Total financial assets and lines of credit available to meet cash needs for general expenses within one year	$ 795,241	$ 997,100

To help manage unanticipated liquidity needs, the Organization has a line of credit totaling $150,000, of which it had $95,000 available to draw on at December 31, 2023. The Organization also has a second line of credit totaling $300,000, of which it had $100,000 available to draw on at December 31, 2023. At various times, the Organization uses the lines of credit to cover operating expenses as needed, depending on availability.