

**Art of Recycle**  
Financial Statement

December 31, 2021



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## Independent Accountants' Review Report

To the Board of Directors of  
Art of Recycle  
Ephrata, PA

We have reviewed the accompanying financial statements of Art of Recycle (a nonprofit non-stock corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility 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; 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Art of Recycle and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the accounting principles generally accepted in the United States of America.

*Covenant CPA LLC*  
Lancaster, PA

November 29, 2022

**Art of Recycle**  
**Statement of Financial Position**  
(See Accompanying Notes and Independent Accountants' Review Report)  
**December 31, 2021**

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 88,020
Inventory	301,140
Prepaid Expenses	9,561
Security Deposits	<u>5,106</u>
Total Current Assets	<u>403,827</u>
PROPERTY AND EQUIPMENT	
Furnishings and Equipment	106,797
Transportation Equipment	55,878
Less Accumulated Depreciation	<u>(52,258)</u>
Net Property and Equipment	<u>110,417</u>
OTHER ASSETS	
Leasehold Right of Use	<u>529,790</u>
Total Other Assets	<u>529,790</u>
TOTAL ASSETS	<u>\$ 1,044,034</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 157
Credit Card Payable	3,583
Gift Certificates Outstanding	360
Line of Credit	-
Payroll Taxes Accrued and Payable	3,210
Wages Accrued	6,119
Sales Tax Payable	2,048
Current Portion of Long-Term Debt	<u>9,187</u>
Total Current Liabilities	<u>24,664</u>
LONG-TERM LIABILITIES	
Lease Liability	529,790
Notes Payable - Net of Current Portion	<u>324,668</u>
Total Long Term Liabilities	<u>854,458</u>
TOTAL LIABILITIES	<u>879,122</u>
NET ASSETS	
Without Donor Restrictions	
Total Net Assets	<u>164,912</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,044,034</u>

**Art of Recycle**  
**Statement of Activities and Changes in Net Assets**  
(See Accompanying Notes and Independent Accountants' Review Report)  
**For the Year Ended December 31, 2021**

REVENUE	
Public Support - Contributions	\$ 7,820
Grants	29,940
In-Kind Donations	
Advertising	38,950
Arts & Crafts Supplies	335,443
Art Program Income	97,018
Membership Dues	45
Workshop Income	6,269
Interest & Dividends	752
Miscellaneous	202
Total Revenues	<u>516,439</u>

EXPENSES	
Program Expenses	527,987
Fundraising Expenses	9,922
Management Expenses	<u>20,482</u>
Total Expenses	<u>558,391</u>

**Change in Net Assets** **(41,952)**

Net Assets at Beginning of Year	<u>206,864</u>
Net Assets at End of Year	<u><u>\$ 164,912</u></u>

**Art of Recycle**  
**Statement of Functional Expenses**  
(See Accompanying Notes and Independent Accountants' Review Report)  
**For the Year Ended December 31, 2021**

	Program Expenses						Total Program Expenses	Fundraising	Management and General	Total Expenses
	Ephrata			Hanover						
	Community Arts Center	Creative Workshops	Art is a Necessity	Community Arts Center	Creative Workshops	Art is a Necessity				
Accounting and Legal	\$ 9,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,999	\$ -	\$ 1,329	\$ 11,328
Advertising	831	-	516	10	-	-	1,357	288	119	1,764
In-Kind Advertising	38,950	-	-	-	-	-	38,950	-	-	38,950
Business Registration Fees	890	-	-	-	-	-	890	-	192	1,082
Credit Card Fees	1,857	-	-	142	-	-	1,999	-	-	1,999
Depreciation	17,280	-	-	6,620	-	-	23,900	-	-	23,900
Equipment Rental and Maintenance	1,993	425	7,937	120	-	-	10,475	61	61	10,597
Information Technology	2,535	2,845	195	58	-	-	5,633	55	481	6,169
In-Kind Arts and Crafts Supplies	96,032	-	-	7,147	-	-	103,179	-	-	103,179
In-Kind Material Donations	-	-	60,169	-	-	-	60,169	-	-	60,169
Insurance	797	399	120	162	81	40	1,599	42	77	1,718
Interest	4,277	2,138	712	1,695	848	283	9,953	-	124	10,077
Payroll	51,107	-	3,550	23,874	3,573	-	82,104	6,500	11,411	100,015
Payroll Taxes	4,631	-	322	2,095	324	-	7,372	577	1,023	8,972
Postage and Office Supplies	858	62	32	57	3	3	1,015	43	217	1,275
Rent	27,304	30,056	2,087	24,816	-	-	84,263	1,435	3,986	89,684
Staff Development	623	-	275	189	-	-	1,087	-	-	1,087
Supplies	6,203	404	-	304	-	-	6,911	-	-	6,911
Telephone	1,192	397	397	975	325	325	3,611	542	1,083	5,236
Theft Loss	50,000	-	-	-	-	-	50,000	-	-	50,000
Travel	2,514	-	2,514	272	-	-	5,300	-	-	5,300
Utilities	6,815	4,237	420	6,194	-	-	17,666	379	379	18,424
Worker's Compensation Insurance	349	-	24	158	24	-	555	-	-	555
<b>Total Expenses</b>	<b>\$ 327,037</b>	<b>\$ 40,963</b>	<b>\$ 79,270</b>	<b>\$ 74,888</b>	<b>\$ 5,178</b>	<b>\$ 651</b>	<b>\$ 527,987</b>	<b>\$ 9,922</b>	<b>\$ 20,482</b>	<b>\$ 558,391</b>



**Art of Recycle**  
**Statement of Cash Flows**  
**(See Accompanying Notes and Independent Accountants' Review Report)**  
**For the Year Ended December 31, 2021**

	2021
Cash Flow From Operating Activities	
Change in Net Assets	\$ (41,952)
Adjustments to Reconcile Change in Net Assets	
Depreciation	23,900
In-Kind Contributions	(374,392)
In-Kind Expenses	202,298
Increase in Accrued Interest	8,116
Theft Loss	50,000
Increase in Prepaid Expenses	(1,700)
Decrease in Security Deposits	-
Decrease in Accounts Payable	(675)
Decrease in Credit Card Payable	(2,215)
Increase in Gift Certificationes Outstanding	360
Increase in Payroll Taxes Accrued and Payable	2,095
Increase in Wages Accrued	3,990
Decrease in Sales Tax Payable	1,865
Net Cash Used in Operating Activities	(128,310)
Cash Flows from Investing Activities:	
Purchase of Property and Equipment	-
Net Cash Used in Investing Activities	-
Cash Flows from Financing Activities	
Net Payments To Line of Credit	(7,411)
Proceeds from new borrowing	150,000
Payments on debt	(10,103)
Net Cash Provided By Financing Activities	132,486
Net Increase in Cash and Cash Equivalentts	<b>4,176</b>
Cash and Cash Equivalentts at Beginning of Year	83,844
Cash and Cash Equivalentts at End of Year	\$ 88,020
Supplemental Disclosure of Cash Flow Information	
Cash Paid During the Year for:	
Interest	\$ 1,837

Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
December 31, 2021

**Note A – Summary of Significant Accounting Policies**

Organization

Art of Recycle is a Pennsylvania nonprofit corporation formed on January 31, 2014 with locations in Ephrata and Hanover, Pennsylvania. The purpose of the Organization is to develop, heal, and grow community through recycled art. Their objective is to teach people how to create “art with purpose” reusing discarded, unwanted, and excess items; creating generations of artists and crafters who are more environmentally conscious.

The Organization has three main programs. Their Art Centers provide free spaces for people of all ages to make art. Adults with special needs and latchkey kids are populations that often use the space. Free and low-cost creative workshops teach how items can be reused and recycled into art pieces. Their Art is a Necessity program provides free art supplies to teachers of children, senior citizens, and individuals with special needs to help make art accessible in classrooms.

Basis of Accounting

The Organization uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donor Restrictions

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restrictions—Net assets that are not subject to or are no longer subject to donor imposed stipulations

Net Assets With Donor Restrictions—Net assets whose use is limited by donor-imposed time and/or purpose restrictions. There were no net assets with donor restrictions at December 31, 2021.

Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
December 31, 2021

**Note A – Summary of Significant Accounting Policies – Continued**

Donor Restrictions - continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expense are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by the law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contribution as without donor restrictions to the extent that donor restrictions were net in the year the contribution was received.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization places its cash with high credit quality institutions. Balances are subject to limitations established by the FDIC. As of December 31, 2021, none of the Organizations deposits were uninsured.

Inventory

Inventories are valued at market and consist of donated arts and crafts supplies, art tools, and supplies used to render program services.

Property and Equipment

Property and equipment are carried at cost. Property or equipment which is donated to the Organization is carried at fair market value on the date donated. Maintenance and repairs are charges to expense as incurred.

Depreciation

The Organization capitalizes equipment and transportation vehicles in excess of \$150. The Organization uses the straight-line method of depreciation to recover the cost of property and equipment during their estimated useful lives. The estimated useful lives are as follows:

Furnishings and Equipment	5 - 10 years
Transportation Vehicles	5 - 10 years

Depreciation expense charged to operations amounted to \$23,900 for the year ended December 31, 2021.

Total accumulated depreciation as of December 31, 2021 was \$52,258.



Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
December 31, 2021

**Note A – Summary of Significant Accounting Policies – Continued**

Income Tax

The organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation as defined in Sections 170 and 509 of the Internal Revenue Code.

Contributions

The majority of the organizations support comes from in kind donations from local businesses and cash contributions from local individuals. In-kind donations are valued at the retail prices in the Organization's thrift store or other aftermarket venues. In 2021 the organization received government grants totaling \$16,940 related to Covid mitigation programs. These grants are not expected to occur in the future.

Contributions are considered unrestricted unless specifically restricted by the donor. Amounts that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restricted. When restrictions expire, assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as support without donor restriction. In the year ended December 31, 2021 there were no contributions subject to donor restriction.

Contributed Services and Materials

The Organization receives contributed services and materials in connection with its program activities. These items are included in contributions, program expenses, and inventory and amounted to \$374,393 for the year ended December 31, 2021. In Kind contributions are valued at estimated resale value.

In addition, a significant number of individuals volunteer time in the art centers. The value of these services has not been included on the financial statements as the criteria for recognition has not been met.

Program Service Revenue

Program service revenue is recognized when earned and consists primarily of sales of donated art supplies and registration fees for classes and events.

Presentation of Sales Tax

The state of Pennsylvania imposes sales tax on certain products and services of the Organization. The Organization collects that sales tax from customers and remits the entire amount to the state. The Organization's accounting policy is to include sales tax collected with current liabilities until it is paid.

Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
December 31, 2021

**Note A – Summary of Significant Accounting Policies – Continued**

Gift Cards

The organization sells gift cards to customers for future redemption. The gift cards do not have expiration dates. No fees are applied to gift card balances. The organization records proceeds from the sale of gift cards as a liability until the gift card is used. Management estimates the value of gift cards that will not be redeemed and records that portion as Breakage Income. As of December 31, 2021, the balance of unredeemed gift cards was \$360. Estimated breakage for 2021 was \$0.

Leases

As noted in Note F below, the organization records a right of use asset and lease liability for the discounted value of minimum lease payment obligations under operating leases, including extensions. The organization uses its line of credit interest rate at the inception of the lease as the discount rate. The right to use asset is accreted over the life of the lease and the accretion is charged to operations.

Leases with terms of 12 months or less are expensed to operations as paid.

Functional Expenses Allocation

The financial statement may report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Occupancy expenses have been allocated based on an estimate of time spent between program services, management and general, and fundraising. Occupancy for program expenses are further allocated among the programs based on square footage. Payroll and related expenses are allocated among the programs by an estimate of time and effort spent in each program.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Donated advertising is recorded as income and an expense in the period in which it is provided. Cash advertising expenses and donated advertising were \$1,764 and \$38,950 respectively for the year ended December 31, 2021.

Subsequent Events

The Organization has evaluated subsequent events through November 29, 2022 the date the financial statements were available to be issued.

Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
December 31, 2021

**Note A – Summary of Significant Accounting Policies – Continued**

Subsequent Events - continued

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. To date, the COVID-19 outbreak is still classified as a pandemic. The Organization’s operations are heavily dependent on private donations from individuals. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation may depress donations during 2022. As such, this may hinder the Organization’s ability to advance its mission. As such, the financial condition and liquidity may be negatively impacted for 2022.

As of the date of this report the Organization experienced limited impact to its financial position and management believes its cash position will sustain operations.

On January 27, 2022 the Organization’s EIDL loan was amended to increase the loan an additional \$200,000 for a total loan of \$500,000. Payment terms are 2.45% interest per annum and will start December 2022. Payment will be \$2,163 per month. The loan is payable in full June 2, 2050.

In 2021 the Organization discovered several employees were stealing inventory. Management estimates the value of the stolen inventory to be \$50,000 in 2021 and \$100,000 in 2022. Management believes the employees involved were terminated in 2022. Losses were charged to operations in the respective years.

**Note B – Short Term Debt**

The Organization has a revolving line of credit with Member’s 1<sup>st</sup> Bank under which it can borrow up to \$20,000. Interest accrued at 4.25%. The line of credit is collateralized by property. The balance was \$0 as of December 31, 2021.

The organization has two unsecured credit cards. In 2021 the Member’s 1<sup>st</sup> Visa credit card had a limit of \$5,000 with a 10.25% variable interest rate. The American Express credit card had a limit of \$15,000 with a 18.24% variable interest rate. As of December 31, 2021 the balances on the Member’s 1<sup>st</sup> Visa and American Express were \$1,174 and \$2,409 respectively.



Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
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**Note C – Long-Term Debt**

Long-Term Debt consists of the following

In December 2019, an installment loan was obtained from Nissan Motor Acceptance Corp. to purchase a vehicle. The terms are 72 monthly payments of \$468 per month with interest accruing at 5.99% per annum. The loan is set to mature in December 2025. The loan is secured by the vehicle. \$ 13,363

In June 2020, an Economic Injury Disaster Loan was obtained from the Small Business Administration. No payments were required in 2020. In 2021, the SBA delayed payments until 2022. The loan was modified in 2021 to increase the principle. The revised terms are monthly payments of \$1,329 starting December 2022 with interest accruing at 2.75% per annum. Payments are applied first to accrued interest, therefore accrued interest of \$8,116 is included in the loan balance. The loan matures June 3, 2050. The loan including accrued interest is secured by all tangible and intangible property of the Organization. 308,116

In December 2020, an installment loan was obtained from Nissan Motor Acceptance Corp. to purchase a vehicle. The terms are 60 monthly payments of \$295.01 with interest accruing at 5.74% per annum. The loan is set to mature in November 2025. The loan is secured by the vehicle. 12,376

Total 333,855

Less: Current Portion (9,187)

Total Long-Term Debt \$ 324,668

Principal payments are due as follows:

2022	\$9,187
2023	15,122
2024	7,435
2025	10,961
2026	8,042
Thereafter	<u>283,109</u>
Total	<u>\$333,856</u>



Art of Recycle  
Notes to Financial Statements  
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**Note D – Assets Pledged as Collateral for Debt**

Property and Equipment and related accumulated depreciation on the Statement of Financial Position include assets that have been pledged as collateral for long-term debt as follows:

		<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Debt Collateralized</u>
2019	Nissan White Van	30,559	12,224	18,335	13,363
2020	Nissan Black Rogue	25,319	2,532	22,365	12,376

**Note E – Operating Leases**

On September 1, 2016 the Organization entered into a ten-year lease agreement for program activity and retail space in Ephrata, PA. To aid the Organization, the lessor agreed to a graduating scale of payments over the term of the lease as described below. For the year ending December 31, 2021, the lease called for monthly rental payments of \$2,600 for January through August and \$2,625 for September through December. Rental Expense under this lease was \$31,300 for the year ending December 31, 2021.

Monthly payments under the lease are as follows:

September 1, 2016 to October 31, 2016	\$ 1,000	Payable in monthly installments of \$500
November 1, 2016 to August 31, 2017	18,000	Payable in monthly installments of \$1,800
November 1, 2017 to August 31, 2018	24,000	Payable in monthly installments of \$2,000
November 1, 2018 to August 31, 2019	26,400	Payable in monthly installments of \$2,200
November 1, 2019 to August 31, 2020	28,800	Payable in monthly installments of \$2,400
November 1, 2020 to August 31, 2021	31,200	Payable in monthly installments of \$2,600
November 1, 2021 to August 31, 2022	31,500	Payable in monthly installments of \$2,625
November 1, 2022 to August 31, 2023	31,800	Payable in monthly installments of \$2,650
November 1, 2023 to August 31, 2024	32,100	Payable in monthly installments of \$2,675
November 1, 2024 to August 31, 2025	32,400	Payable in monthly installments of \$2,700
November 1, 2025 to August 31, 2026	32,700	Payable in monthly installments of \$2,725

On September 1, 2017, the Organization entered into a nine-year lease agreement for additional program activity space in Ephrata, PA. To aid the Organization, the lessor agreed to a graduating scale of payments over the terms of the lease described below. For the year ending December 31, 2021 the lease called for monthly rental payments of \$218 from January through August and \$225 for September through December. Rent expense under this lease was \$2,644 for the year ended December 31, 2021.



Art of Recycle  
Notes to Financial Statements  
(See Accountants' Review Report)  
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**Note E – Operating Leases - Continued**

Monthly payments under the lease are as follows:

September 1, 2017 to August 31, 2018	\$ 2,400	Payable in monthly installments of \$200
September 1, 2018 to August 31, 2019	2,472	Payable in monthly installments of \$206
September 1, 2019 to August 31, 2020	2,544	Payable in monthly installments of \$212
September 1, 2020 to August 31, 2021	2,616	Payable in monthly installments of \$218
September 1, 2021 to August 31, 2022	2,700	Payable in monthly installments of \$225
September 1, 2022 to August 31, 2023	2,772	Payable in monthly installments of \$231
September 1, 2023 to August 31, 2024	2,856	Payable in monthly installments of \$238
September 1, 2024 to August 31, 2025	2,940	Payable in monthly installments of \$245
September 1, 2025 to August 31, 2026	3,036	Payable in monthly installments of \$253

On August 6, 2018, the Organization entered into an eight-year lease agreement for additional program activity space in Ephrata, PA. To aid the Organization, the lessor agreed to a graduating scale of payments over the terms of the lease described below. For the year ending December 31, 2021 the lease called for monthly rental payments of \$1,040 from January through July and \$1,061 for August through December. Rent expense under this lease was \$12,585 for the year ended December 31, 2021.

Monthly payments under the lease are as follows:

August 15, 2018 to August 31, 2018	\$ 500	Payable at signing of lease of \$500
September 1, 2018 to July 31, 2019	11,000	Payable in monthly installments of \$1,000
August 1, 2019 to July 31, 2020	12,240	Payable in monthly installments of \$1,020
August 1, 2020 to July 31, 2021	12,480	Payable in monthly installments of \$1,040
August 1, 2021 to July 31, 2022	12,732	Payable in monthly installments of \$1,061
August 1, 2022 to July 31, 2023	12,984	Payable in monthly installments of \$1,082
August 1, 2023 to July 31, 2024	13,248	Payable in monthly installments of \$1,104
August 1, 2024 to July 31, 2025	13,512	Payable in monthly installments of \$1,126
August 1, 2025 to July 31, 2026	13,776	Payable in monthly installments of \$1,148

On August 12, 2019, the Organization entered into a three-year lease agreement for a second location in Hanover, PA to house program activity and retail space. This lease will automatically extend for two additional periods of three years. The Organization has the right to terminate the lease at the end of the initial term or the extension term by providing written notice to terminate at least six months but no more than twelve months prior to the expiration date. To aid the Organization, the lessor agreed to a graduating scale of payments over the terms of the lease described below. For the year ending December 31, 2021 the lease called for monthly rental payments of \$2,000 from January through October and \$2,400 from November through December. Rent expense under this lease was \$24,800 for the year ended December 31, 2021.



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**Note E – Operating Leases - Continued**

Monthly payments under the lease are as follows:

September 1, 2019 to October 31, 2019	\$ 0	
November 1, 2019 to December 31, 2019	2,000	Payable in monthly installments of \$1,000
January 1, 2020 to October 31, 2020	13,300	Payable in monthly installments of \$1,300
November 1, 2020 to October 31, 2021	24,000	Payable in monthly installments of \$2,000
November 1, 2021 to October 31, 2022	28,800	Payable in monthly installments of \$2,400
November 1, 2022 to October 31, 2023	30,960	Payable in monthly installments of \$2,580
November 1, 2023 to October 31, 2024	30,960	Payable in monthly installments of \$2,580
November 1, 2024 to October 31, 2025	30,960	Payable in monthly installments of \$2,580
November 1, 2025 to October 31, 2026	33,300	Payable in monthly installments of \$2,775
November 1, 2026 to October 31, 2027	33,300	Payable in monthly installments of \$2,775
November 1, 2027 to October 31, 2028	33,300	Payable in monthly installments of \$2,775

On February 28, 2020, the Organization entered into a six-year lease agreement for additional program activity space in Ephrata, PA. The agreement includes a 2.5% annual escalation as described below. For the year ending December 31, 2021 the lease called for monthly rental payments of \$1,046 from October through December. Rent expense under this lease was \$3,138 for the year ended December 31, 2021. A lease addendum agreement was made on June 14, 2022 that expands the rented space and increases the rent as of August 1, 2022.

Monthly payments under the lease are as follows:

April 1, 2020 to August 31, 2021	\$ 20,740	Payable in monthly installments of \$1,220
September 1, 2021 to August 31, 2022	15,072	Payable in monthly installments of \$1,256
September 1, 2022 to August 31, 2023	15,516	Payable in monthly installments of \$1,293
September 1, 2023 to August 31, 2024	15,972	Payable in monthly installments of \$1,331
September 1, 2024 to August 31, 2025	16,440	Payable in monthly installments of \$1,370
September 1, 2025 to August 31, 2026	16,920	Payable in monthly installments of \$1,410

On October 1, 2021, the Organization entered into a five-year lease agreement for additional program activity space in Ephrata, PA. The agreement includes a 3% annual escalation as described below. For the year ending December 31, 2021 the lease called for monthly rental payments of \$1,220 from January through August and \$1,256 from September to December. Rent expense under this lease was \$14,784 for the year ended December 31, 2021.

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**Note E – Operating Leases - Continued**

Monthly payments under the lease are as follows:

October 1, 2021 to July 31, 2022	\$ 10,460	Payable in monthly installments of \$1,046
August 1, 2021 to September 30, 2022	2,734	Payable in monthly installments of \$1,367
October 1, 2022 to September 30, 2023	16,812	Payable in monthly installments of \$1,401
October 1, 2023 to September 30, 2024	17,232	Payable in monthly installments of \$1,436
October 1, 2024 to September 30, 2025	17,664	Payable in monthly installments of \$1,472
October 1, 2025 to September 30, 2026	18,108	Payable in monthly installments of \$1,509

Minimum future rental payments as of December 31, 2021 for the next five years and in the aggregate are:

	<u>Lease 1</u>	<u>Lease 2</u>	<u>Lease 3</u>	<u>Lease 4</u>	<u>Lease 5</u>	<u>Lease 6</u>	<u>Total</u>	<u>Discount</u>	<u>Lease Liability</u>
2022	31,600	2,724	12,837	29,160	15,220	14,259	105,800	(20,908)	84,892
2023	31,900	2,800	13,094	30,960	15,668	16,917	111,339	(17,093)	94,246
2024	32,200	2,884	13,358	30,960	16,128	17,340	112,870	(12,979)	99,891
2025	32,500	2,972	13,622	31,350	16,600	17,775	114,819	(8,619)	106,200
2026	21,800	2,024	8,036	33,300	11,280	13,581	90,021	(4,093)	85,928
Due After	-	-	-	61,050	-	-	61,050	(2,418)	58,632
<b>Total</b>	<b>150,000</b>	<b>13,404</b>	<b>60,947</b>	<b>216,780</b>	<b>74,896</b>	<b>79,872</b>	<b>595,899</b>	<b>(66,110)</b>	<b>529,789</b>

Lease expense charged to operations for 2021 is \$89,684 and consists entirely of operating leases.

**Note F – Concentrations**

In 2021 there was in-kind donations of goods of \$138,181 from the top three donors. This is approximately 34% of the total contributions for the year ending December 31, 2021.

**Note G – Liquidity and Availability of Assets**

The Organization is funded through public contributions of funds and donations of art supplies. Art supplies are then sold at the Community Arts Center of the Ephrata location which also generates revenue. Donations received are generally without donor restriction; however, if the donor requests for the donation to be applied toward a specific purpose, the request is honored and appropriate documentation is made. As of December 31, 2021 the Organization has \$88,020 of financial assets available within one year to meet cash needs for general expenditure consisting of cash and savings. The Organization also has a \$20,000 line of credit as discussed in Note D.

