

**The Hambidge Center
For
Creative Arts and Sciences, Inc.
Audit of Financial Statements
December 31, 2019 & 2018**

Independent Auditor's Report

To the Board of Directors of
The Hambidge Center For Creative Arts And Sciences, Inc.

I have audited the accompanying financial statements of The Hambidge Center For Creative Arts And Sciences, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2019, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended December 31, 2018 and in my report dated August 9, 2019, I expressed an unqualified opinion thereon.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluation of the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hambidge Center For Creative Arts And Sciences, Inc. as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

J. Lunsford CPA

November 2, 2020

The Hambidge Center For Creative Arts And Sciences, Inc.

Statement of Financial Position December 31, 2019 and 2018

The Accompanying Notes are an Integral Part of These Financial Statements

	<u>2019</u>	<u>2018</u>
Assets		
Cash and Cash Equivalents	\$ 930,599	\$ 422,876
Accounts Receivable	10,542	3,842
Inventories	5,573	5,917
Investments	916,191	771,812
Buildings, Furniture & Equipment - net of accumulated depreciation of \$418,229	582,292	458,280
Land	29,028	29,028
	<u>2,474,225</u>	<u>1,691,755</u>
Total Assets	2,474,225	1,691,755

Liabilities		
Accounts Payable	\$ 27,467	\$ 69,695
	<u>27,467</u>	<u>69,695</u>
Total Liabilities	27,467	69,695

Net Assets		
Without Donor Restrictions	1,875,715	1,449,069
With Donor Restrictions	571,043	172,991
	<u>2,446,758</u>	<u>1,622,060</u>
Total Net Assets	2,446,758	1,622,060
Total Liabilities and Net Assets	\$ 2,474,225	\$ 1,691,755

The Hambidge Center For Creative Arts And Sciences, Inc.

Statement of Activity For the Year Ended December 31, 2019 with Comparative Information for December 31, 2018

The Accompanying Notes are an Integral Part of These Financial Statements

	Without Donor Restrictions	With Donor Restrictions	Total	2018
Revenues, Gains and Other Support				
Support				
Contributions	\$ 215,064	\$ 686,094	\$ 901,158	\$ 448,238
Grants	15,000	15,000	30,000	34,000
Total Support	230,064	701,094	931,158	482,238
Residency Income	112,393	-	112,393	102,072
Workshops	3,130	-	3,130	12,486
Services	12,610	-	12,610	13,044
Special Events	182,320	-	182,320	179,042
Merchandise Sales	10,234	-	10,234	17,684
Mitigation Bank	186,930	-	186,930	34,020
Investment Return	33,612	-	33,612	45,358
Realized / Unrealized Gain (Loss)	111,468	-	111,468	(73,596)
Other Revenues and Gains	652,697	-	652,697	330,110
Support Provided by Expiring Time and Purpose Restrictions	303,042	(303,042)	-	-
Total Revenues, Gains and Other Support	1,185,803	398,052	1,583,855	812,348
Expenses				
Program Services	398,809	-	398,809	462,134
Total Program Services	398,809	-	398,809	462,134
Management and General	145,727	-	145,727	133,586
Fundraising	214,620	-	214,620	82,189
Total Expenses	759,156	-	759,156	677,909
Change in Net Assets	426,647	398,052	824,699	134,439

The Hambidge Center For Creative Arts And Sciences, Inc.

Statement of Functional Expense For the Year Ended December 31, 2019 with Comparative Information for December 31, 2018

The Accompanying Notes are an Integral Part of These Financial Statements

	Program Services	Management & General	Fundraising	Total	2018
Salaries	\$ 181,935	\$ 84,903	\$ 50,130	\$ 316,968	\$ 328,965
Campaign Fundraising Expenses			102,664	102,664	-
Consultants	-	-	57,298	57,298	44,089
Utilities	39,340	-	-	39,340	38,651
Artist Consignment Payments	37,053	-	-	37,053	33,138
Residency Food	26,322	380	4,528	31,230	28,884
Office Expense	-	28,486	-	28,486	27,158
Insurance	16,216	9,515	-	25,731	21,470
Depreciation	22,180	-	-	22,180	18,000
Artist Project & Event Fees	19,850	-	-	19,850	67,538
Contract Labor	16,237	-	-	16,237	5,672
Resident Stipends	11,200	-	-	11,200	16,550
Accounting Fees	-	11,127	-	11,127	1,657
Travel	7,162	-	-	7,162	8,128
Printing	6,334	-	-	6,334	6,176
Rent	6,280	-	-	6,280	6,780
Maintenance	5,518	109	-	5,627	10,438
Property Taxes	-	5,451	-	5,451	5,236
Equipment Lease	-	4,621	-	4,621	3,499
Advertising	2,062	-	-	2,062	3,887
Gallery Purchases	1,120	-	-	1,120	803
Conferences & Meetings	-	850	-	850	510
Staff Development	-	285	-	285	680
	\$ 398,809	\$ 145,727	\$ 214,620	\$ 759,156	\$ 677,909

The Hambidge Center For Creative Arts And Sciences, Inc.

Statement of Cash Flows For the Years Ended December 31, 2019 and 2018

The Accompanying Notes are an Integral Part of These Financial Statements

	<u>2019</u>	<u>2018</u>
Operating Activities:		
Cash Inflows for Operations:		
Support	\$ 924,458	\$ 497,734
Residency Income	112,393	102,072
Workshops	3,130	12,486
Services	12,610	13,044
Special Events	182,320	179,042
Merchandise Sales	10,234	17,684
Mitigation Bank	186,930	34,020
Investment Return	33,612	45,358
Cash Outflows for Operations:		
Payments for Salaries, Benefits, and Payroll Taxes	(316,968)	(328,965)
Payments to Vendors	(484,416)	(313,441)
Net Cash Provided by Operating Activities	664,303	259,034
Investing Activities:		
Proceeds/Purchases of Investments - net	(10,388)	(51,370)
Purchase of Fixed Assets	(146,192)	(56,168)
Net Cash Used by Investing Activities	(156,580)	(107,538)
Change in Cash and Cash Equivalents	507,723	151,496
Cash and Cash Equivalents at Beginning of Year	422,876	271,380
Cash and Cash Equivalents at End of Year	\$ 930,599	\$ 422,876

The Hambidge Center For Creative Arts And Sciences, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 1: Description of Organization

Mission

The Hambidge Center for Creative Arts and Sciences, Inc. (The Hambidge Center) provides a residency program that empowers talented individuals to explore, develop, and express their creative voices. Situated on 600 acres in the mountains of north Georgia, The Hambidge Center is a sanctuary of time and space that inspires individuals working in a broad range of disciplines to create works of the highest caliber.

The Hambidge Center pledges to offer a nurturing retreat, preserve its pristine natural environment, and provide public educational programming.

History

As one of the first artist communities in the U.S., the Hambidge Center has a distinguished history of supporting individual artists in a residency program. The Center also continues to act as a steward of its extraordinary 600-acre setting in the foothills of the Blue Ridge Mountains.

The Center was created in 1934 by Mary Hambidge, who established the artist enclave and sustainable farm in memory of her artist partner, Jay Hambidge (1867–1924). After a brief career as a performer on vaudeville stages (Mary was a world-class whistler who appeared with her pet mockingbird Jimmy), she discovered weaving and eventually found her home among Appalachian weavers in the North Georgia mountains.

In the early days of The Hambidge Center, she employed local women to create exceptional weavings that would one day be featured in many exhibits including the Smithsonian and MOMA. Later she broadened the scope of The Hambidge Center by inviting artists for extended stays. After her death in 1973, The Hambidge Center evolved into a formal and competitive residency program open to creative individuals from all walks of life.

The Hambidge Center is a member of the Alliance of Artist's Communities and was recognized with the 1996 Cultural Olympiad Regional Designation Award in the Arts.

Note 2: Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use, that are placed by its donors, as follows:

The Hambidge Center For Creative Arts And Sciences, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 2: Summary of Significant Accounting Policies - continued

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Donated Services

The Hambidge Center has numerous unpaid volunteers. The value of the services provided by these volunteers has not been determined or recognized in these financial statements since the criteria for recognition under ASC No. 958 have not been met.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalents may exceed federally insured amounts. The Hambidge Center believes that it mitigates risks by depositing cash and investing in cash equivalents with major financial institutions.

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of three to forty years using the straight-line method. Depreciation expense for the year ended December 31, 2019 and 2018 totaled \$22,180 and \$18,000, respectively.

Revenue Recognition and Expenses

Contributions are recorded in the year they are received or pledged. Program services include expenses incurred in line with the purpose of The Hambidge Center.

The Hambidge Center For Creative Arts And Sciences, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 2: Summary of Significant Accounting Policies - continued

Income Taxes

The Hambidge Center is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (the Code). The Hambidge Center had no significant unrelated business taxable income during 2019 or 2018. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying consolidated financial statements.

The Hambidge Center applies the provisions of accounting standards for income taxes. These standards require that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The Hambidge Center does not believe its financial statements include any material uncertain tax positions. The Hambidge Center is no longer subject to Federal or State income tax examination by tax authorities for years prior to 2016.

Investments

On January 21, 2014 The Board of The Hambidge Center created four Board Designated Endowment Funds and entered into Designated Fund Agreements with the North Georgia Community Foundation on September 8, 2014 to manage the funds. The purpose of the Board Designated Endowment Funds is to generate annual income for the Hambidge Center to finance, sustain, and initiate designated programs for The Hambidge Center. These funds are as follows:

The Nellie Mae Rowe Scholarship Fund - Distributions from the fund shall be spent only for the purpose of funding the annual Nellie Mae Rowe Scholarship for a Hambidge Fellow.

The Fisher & Brena Capital Fund - Distributions from the fund shall be spent only for the purpose of funding the maintenance and capital improvements and expenditures related to the upkeep of the Fisher House and the Brena House.

The Hambidge Center General Endowment Fund - Distributions from the fund shall be spent only for the purpose of funding general needs of The Hambidge Center as approved by the Board of Directors.

The Mitigation Bank Fund - Distributions from the fund shall be spent only for the purpose of funding the costs related to the creation and preservation of the mitigation banks.

Annual Distributions from The Nellie Mae Rowe Scholarship Fund, The Fisher & Brena Capital Fund and The Hambidge Center General Endowment Fund are to be calculated as follows:

Annual distributions shall not exceed 5% of the average of the value of the fund for the four calendar quarters preceding December 31.

Annual Distributions from The Mitigation Bank Fund are to be made at the discretion of the Board of Directors.

Net income of the funds shall be paid and distributed (as discussed above) to The Hambidge Center at least annually or more or less frequently. It is contemplated that from time to time a certain portion of the net income shall be left undistributed so that the earning capacity of the Fund will not be eroded by inflation.

Distributions in excess of the net income of the Fund (including principal up to the entire amount of the fund) may be made to The Hambidge Center in any year as determined by the Board of Directors.

Pursuant to the Designated Fund Agreement the asset mix for the long-term portion of Funds are 65% equity and 35% fixed income.

The Hambidge Center For Creative Arts And Sciences, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 3: Operating Lease Obligation

The Hambidge Center leases residence space under a month to month lease at \$100 per week. Rental Expense for the year ended December 31, 2019 and 2018 was \$6,280 and \$6,780, respectively.

Note 4: Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of The Hambidge Center deems the contingency to be unlikely. The grants and contracts are subject to audit by the grantor. They have the authority to determine liabilities or limits or suspend participation in the various sponsored programs.

Note 5: Subsequent Events

The Hambidge Center has evaluated subsequent events through November 2, 2020, which is the date the financial statements were prepared. In response to the 2020 COVID 19 pandemic The Hambidge Center has had to curtail certain of its programs and fund raising activities that typically have large groups of people participating or in close proximity. However, the organization is able to continue many of its programs and fund raising activities through on-line participation and practicing appropriate safety protocol. Through the date of these financial statements the Organization has not recorded any material write downs or impairments of its assets subsequent to December 31, 2019. However, given the nature of and uncertainty surrounding the pandemic the Organization cannot predict when it will be able to resume its programs and activities at full capacity or the impact, if any, of this contingency on its financial condition or results of operations in the future. No other material subsequent events were identified that required adjustment to or disclosure in the financial statements.

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018 are:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 930,599	\$ 422,876
Accounts receivable	10,542	3,842
Investments	916,191	771,812
Total financial assets	1,857,332	1,198,530
Less financial assets held to meet donor-imposed restrictions	(571,043)	(172,991)
Amount available for general expenditures within one year	\$ 1,286,289	\$ 1,025,539

The Hambidge Center For Creative Arts And Sciences, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 7: Net Assets With Donor Restrictions

Purpose/Donor	2019	2018
Distinguished Fellowships	\$ 25,648	\$ 36,635
Anagama Pottery Programs	4,977	4,627
Antinori Village	481,367	71,458
Deferred Maintenance	27,808	30,000
Pottery Studio Upgrades	26,475	27,974
Happy Trails Fund	4,768	2,297
	\$ 571,043	\$ 172,991

Note 8: Mitigation Bank

The Hambidge Center completed a bottomland and stream restoration and preservation project to restore 54 acres of its land through an agreement overseen by the USACE (U.S. Army Corps of Engineers). The work earns mitigation credits from USACE. These credits can be sold to entities that must mitigate impacts to wetlands and streams from their construction projects in north Georgia.

Note 9: Fair Market Value Land

As noted in Note 1, The Hambidge Center is situated on approximately 600 acres in Rabun County Georgia located in the North Georgia Mountains.

Mary Hambidge acquired the approximately 600 acres when she established The Hambidge Center in 1934 at an approximate cost of \$4,500. The approximately 600 acres and improvements made to the property over the ensuing years are currently valued at \$5,019,769 by Rabun County, Georgia for property tax purposes.

Note 10: Fair Value Measurements

The Hambidge Center reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used are

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 - Inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets in markets that are not active
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means

Level 3 - Unobservable inputs for the asset or liability. These should be used to measure the fair value to the extent that observable inputs are unavailable.

When available, The Hambidge Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for all of the assets and liabilities that The Hambidge Center may be required to measure fair value (for example, in-kind contributions). The primary use of fair value measures in these financial statements are in the determination of Fair Market Value of Investments.

The Hambidge Center For Creative Arts And Sciences, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 11: Investment Summary

Investments at December 31, 2019 are summarized as follows:

	Fair Value	Unrealized Gain (Loss)
Fisher & Brena Capital Fund	\$ 140,297	\$ 14,509
The Hambidge Center General Endowment Fund	275,354	28,460
The Mitigation Bank Fund	376,431	38,928
Nellie Mae Rowe Scholarship Fund	124,109	12,835
	\$ 916,191	\$ 94,732

Investments at December 31, 2018 are summarized as follows:

	Fair Value	Unrealized Gain (Loss)
Fisher & Brena Capital Fund	\$ 118,185	\$ (12,626)
The Hambidge Center General Endowment Fund	231,978	(24,768)
The Mitigation Bank Fund	317,101	(33,877)
Nellie Mae Rowe Scholarship Fund	104,548	(11,169)
	\$ 771,812	\$ (82,440)

As of December 31, 2019 and 2018 The Hambidge Center elected to leave the net income of the funds undistributed in order to enhance the future earning capacities of the Funds.

End of Footnotes