

JUXTAPOSITION ARTS, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
AUGUST 31, 2020**

JUXTAPOSITION ARTS, INC.

FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Juxtaposition Arts, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of Juxtaposition Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juxtaposition Arts, Inc. as of August 31, 2020, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Juxtaposition Arts, Inc. has adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the financial statements of Juxtaposition Arts, Inc. as of August 31, 2019, and we expressed an unmodified opinion on those audited financial statements in our report dated March 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich
Christiansen Russ P.A.*

February 24, 2021

JUXTAPOSITION ARTS, INC

STATEMENT OF FINANCIAL POSITION

August 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash	\$ -	\$ 8,948
Accounts receivable, net	54,682	68,524
Current portion of contributions receivable	302,500	202,000
Government grants receivable	68,230	90,693
Prepaid expenses	741	8,458
Total current assets	426,153	378,623
Cash - capital campaign	1,512,821	1,000,000
Cash - building reserve	66,000	66,000
Cash - fiscal agent	22,900	2,372
Contributions receivable, less current portion	-	25,000
Contributions receivable, capital campaign	10,000	50,000
Property and equipment, net	1,438,287	1,297,283
	\$ 3,476,161	\$ 2,819,278
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of capital leases	\$ -	\$ 6,622
Current maturities of long-term debt	278,676	232,677
Accounts payable	39,455	18,530
Accrued payroll	38,106	32,687
Deferred revenue	93,025	29,875
Fiscal agent payable	22,900	2,372
Total current liabilities	472,162	322,763
Security deposits	910	910
Long-term capital leases, net of current portion	-	372
PPP Loan	215,900	-
Long-term debt, net of current maturities	46,893	164,306
Total liabilities	735,865	488,351
Net assets:		
Without donor restrictions	401,226	189,894
With donor restrictions	2,339,070	2,141,033
Total net assets	2,740,296	2,330,927
Total liabilities and net assets	\$ 3,476,161	\$ 2,819,278

See accompanying notes to financial statements.

JUXTAPOSITION ARTS, INC

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Support and revenues:				
Contributions	\$ 1,226,278	\$ 492,500	\$ 1,718,778	\$ 573,574
Artwork, product and art services sales	319,891	-	319,891	317,373
Government grants	-	63,898	63,898	136,641
Workshops and consulting	3,768	-	3,768	39,089
Cooperative member fees	18,912	-	18,912	18,612
In Kinds	67,000	-	67,000	2,555
Loan forgiveness	26,667	-	26,667	26,667
Rent revenue	1,307	-	1,307	7,312
Special events, net of direct donor benefits of \$0 in 2020 and \$23,468 in 2019	78,000	-	78,000	91,702
Net assets released from restrictions	353,361	(353,361)	-	-
Total support and revenues	<u>2,095,184</u>	<u>203,037</u>	<u>2,298,221</u>	<u>1,213,525</u>
Expenses:				
Program	1,528,678	-	1,528,678	1,484,590
General and administrative	219,500	-	219,500	258,808
Fundraising	210,674	-	210,674	175,488
Total expenses	<u>1,958,852</u>	<u>-</u>	<u>1,958,852</u>	<u>1,918,886</u>
Change in net assets before nonoperating activities	136,332	203,037	339,369	(705,361)
Capital campaign contributions	-	70,000	70,000	1,094,649
Net assets released from capital restrictions	75,000	(75,000)	-	-
Change in net assets	211,332	198,037	409,369	389,288
Net assets at beginning of year	<u>189,894</u>	<u>2,141,033</u>	<u>2,330,927</u>	<u>1,941,639</u>
Net assets at end of year	<u>\$ 401,226</u>	<u>\$ 2,339,070</u>	<u>\$ 2,740,296</u>	<u>\$ 2,330,927</u>

See accompanying notes to financial statements.

JUXTAPOSITION ARTS, INC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	2020				2019
	Program	General and Administrative	Fundraising	Total	
Salaries and related:					
Salaries	\$ 494,061	\$ 78,789	\$ 149,979	\$ 722,829	\$ 626,177
Payroll tax	42,161	6,820	13,020	62,001	51,560
Employee benefits	48,126	7,785	14,863	70,774	74,766
Youth artist wages and taxes	277,875	-	-	277,875	285,303
Total salaries and related	862,223	93,394	177,862	1,133,479	1,037,806
Artist consultants/contractors	211,611	-	-	211,611	293,789
Art and other supplies	55,946	-	-	55,946	100,974
Food service	9,926	814	1,555	12,295	25,014
Professional fees	94,678	62,388	22,164	179,230	149,068
Dues and subscription	7,880	2,489	-	10,369	5,127
Office expenses	14,484	349	-	14,833	38,132
Postage	3,182	1,005	-	4,187	2,231
Printing	2,907	470	898	4,275	2,280
Repairs and maintenance	36,090	11,396	-	47,486	41,074
Telephone	5,374	1,697	-	7,071	7,182
Website	19,888	6,281	-	26,169	29,316
Travel	9,749	1,577	3,011	14,337	25,384
Advertising and marketing	12,503	-	4,780	17,283	13,947
Meeting expenses	1,308	211	404	1,923	2,816
Equipment	23,420	-	-	23,420	4,165
Facility rental	21,600	-	-	21,600	24,246
Utilities	9,031	2,852	-	11,883	12,315
Interest expense	12,061	4,359	-	16,420	20,477
Bank charges	7,573	2,391	-	9,964	5,753
Insurance	15,680	4,952	-	20,632	16,153
Real estate tax	1,367	432	-	1,799	1,341
Bad debts	19,128	-	-	19,128	20,292
Depreciation and amortization	71,069	22,443	-	93,512	63,472
Total expenses	1,528,678	219,500	210,674	1,958,852	1,942,354
Add:					
Direct benefits to donors	-	-	-	-	(23,468)
Total functional expenses	\$ 1,528,678	\$ 219,500	\$ 210,674	\$ 1,958,852	\$ 1,918,886

See accompanying notes to financial statements.

JUXTAPOSITION ARTS, INC

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 409,369	\$ 389,288
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	93,512	63,472
Bad debt	19,128	20,292
Loan forgiveness	(26,667)	(26,667)
Capital campaign contributions	(70,000)	(1,094,649)
Changes in operating assets and liabilities:		
Accounts receivable	13,842	19,798
Contributions and government grants receivable	(82,166)	(2,880)
Prepaid expenses	7,717	(5,949)
Accounts payable	20,925	2,937
Accrued payroll	5,419	(1,563)
Deferred revenue	63,150	29,875
Fiscal agent	20,528	2,372
Net cash from operating activities	474,757	(603,674)
Cash flows from investing activities:		
Purchases of property and equipment	(232,000)	(285,711)
Net cash from investing activities	(232,000)	(285,711)
Cash flows from financing activities:		
Capital campaign contributions	120,000	1,919,649
Principal payments on capital leases	(9,510)	(9,510)
Advances on notes payable	50,000	50,000
Payments on notes payable	(94,747)	(52,858)
PPP loan	215,900	-
Net cash from financing activities	281,643	1,907,281
Net increase in cash	524,400	1,017,896
Cash, cash equivalents, and restricted cash at beginning of year	1,077,320	59,424
Cash, cash equivalents, and restricted cash at end of year	\$ 1,601,721	\$ 1,077,320
Reconciliation to the statement of financial position		
Cash	\$ -	\$ 8,948
Cash - capital campaign	1,512,821	1,000,000
Cash - building reserve	66,000	66,000
Cash - fiscal agent	22,900	2,372
Total cash, cash equivalents, and restrcited cash	\$ 1,601,721	\$ 1,077,320
Supplemental cash flow information:		
Cash paid for interest	\$ 16,420	\$ 20,477

See accompanying notes to financial statements.

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

1. ORGANIZATION

Founded in 1995, Juxtaposition Arts, Inc. (the Organization) supports the youth of North Minneapolis and other areas of the city to develop the confidence, skills, experiences, and connections they need to enter the creative workforce as dynamic innovators and problem-solvers. Youth who participate at the Organization increase their potential to accomplish their life goals and contribute to revitalizing the communities where they live and work.

The Organization currently offers contemporary and public art, graphic design, screen printing, fashion design, environmental design and community engagement programs for youth eight to twenty-one years old. These activities are generally led by a team of two professional artist designers who are paid contractors. Youth to adult artist ratios are limited to ten to one. All the Organization's activities are provided at no cost to youth participants or their families.

The Organization's core activity begins with "Visual Arts Literary Training" and progresses to employment in "JXTALab" -- a full service youth staffed design firm which opened in 2010. Investments from individuals have helped to fund the wages of part-time youth workers at "JXTALab" for six years. The Organization's long-term goal is to be one of the largest year-round employers of youth in Minneapolis.

In addition to these core activities, the Organization connects with hundreds of youth each year through residencies led by our teaching artists in schools and other agencies. The Organization offers a range of introductory workshops and public events in collaboration with partners and clients. The Organization is rooted in North Minneapolis on West Broadway Avenue, the area's main commercial street. The Organization and its partners rally around a shared goal to develop opportunities and artist centered spaces that can spur a locally owned art-based movement as the catalyst for equitable redevelopment in its neighborhood and city.

Support and revenue for the Organization consists primarily of contributions and grants from individuals, foundations, corporations, and governmental agencies; artwork, product and art service sales; workshops; consulting; and cooperative member fees.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Implementation of New Accounting Standards – Effective September 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit-Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* using the modified retrospective approach. The ASU provides guidance on distinguishing between contributions and exchange transactions and clarifies whether contributions are conditional. Accordingly, there was no impact on previously reported net assets. The presentation and disclosures of contributions have been enhanced in accordance with the standard. As a result of the ASU's implementation, revenue of \$450,000 that would have been recognized in prior years was not recognized.

Financial Statement Presentation – The accompanying financial statements have been prepared using the accrual basis of accounting.

Net assets, revenue and support are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions are available for programs and supporting services at the discretion of management and the Board of Trustees. The Board of Trustees has designated portions of net assets without donor restrictions for endowment and strategic investment funds.
- Net assets with donor restrictions are contributions restricted by donors for specific purposes or time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities.

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

Cash Equivalents – The Organization considers short-term, highly liquid investments and investments purchased with an original maturity of three months or less to be cash equivalents. Cash restricted for long term purposes is not considered cash equivalents.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance based on expected collections. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At August 31, 2020 and 2019, the allowance for doubtful accounts receivables was \$25,000 and \$0.

Contributions Receivable – Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Management reviews receivable balances at year end and establishes an allowance based on expected collections. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At August 31, 2020 and 2019, the allowance for doubtful contributions receivable was \$0 and \$15,000.

Property and Equipment – Property and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded without donor restrictions. The Organization capitalizes all items over \$1,000 which provide a future benefit. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized.

Contributions – Contributions are recognized when the donor makes an unconditional commitment to give to the Organization. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recorded when the conditions have been met and the conditional promise becomes unconditional. Contributions are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Restricted contributions are reported without donor restrictions if the related restrictions are met in the same year the contribution is received.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants – Government grants are accounted for as contributions and are considered conditional based upon the incurrence of eligible expenditures. Revenue is recognized when eligible expenditures, as defined in the grant agreement, are incurred. Amounts received in advance are recorded as refundable advances.

Donated Materials and Services – Donated materials are recorded as contributions at their estimated fair value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During 2020 the Organization received \$67,000 of donated website development services. During 2019 the Organization received \$2,555 of donated travel expenses. These expenses were paid by the employees on a research trip that would have normally been paid for by the Organization.

In addition, individuals volunteer their time, performing a variety of tasks that assist the Organization with its program, administration, grant solicitation, and fundraising. This volunteer time does not meet the above definition of donated services that need to be recorded.

Artwork, Product and Art Services Sales – Sales revenue is recognized at a point in time when the customer takes possession of the merchandise or when services are provided. Payments received in advance are recorded as deferred revenue.

Workshops and Consulting – Workshop and consulting revenue is recognized at a point in time when the services are performed. Payments received in advance are recorded as deferred revenue.

Cooperative Member Fees and Rent Revenues – Cooperative member fees represent payments for usage of eight artist studios plus use of common areas. The Organization also leases space for onetime art events. Revenues are recognized in accordance with the lease terms. Rental payments received in advance are recorded as deferred revenue.

Advertising – Advertising costs are expensed as incurred.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses – Expenses that can be directly identified with the program or supporting services to which they relate are charged accordingly. Salaries and related expenses have been allocated based on how employees spend their time. Rent, repairs and maintenance, printing, postage, telephone, website, interest, insurance, real estate taxes, and depreciation have been allocated based on square footage usage. All other indirect expenses have been allocated between program and supporting services classifications based upon staff time.

Income Taxes – The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes the Organization did not have any unrelated business income in 2020 or 2019. The Organization also believes it has appropriate support for any tax positions taken, and accordingly, does not have any material uncertain tax positions.

Comparative Total Column – The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Reclassifications – Reclassifications were made to the 2019 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of August 31 comprise the following:

	2020	2019
Cash	\$ -	\$ 8,948
Accounts receivable, net	54,682	68,524
Contributions receivable	302,500	202,000
Government grants receivable	68,230	90,693
	<u>\$ 425,412</u>	<u>\$ 370,165</u>

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

3. LIQUIDITY AND AVAILABILITY (Continued)

As of August 31, 2020, the Organization has not maintained the appropriate amount of restricted cash received for the capital campaign. The balance of the shortfall is \$151,000.

The Organization receives significant contributions restricted by donors, and considers amounts restricted for current programs which are ongoing, major, and central to its annual operations to be available to meet current needs for general expenditures over the next year. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019	Estimated useful lives (in years)
Land	\$ 60,000	\$ 60,000	
Buildings and improvements	984,093	984,093	5-40
Skate park	516,906	510,406	20
Furniture and equipment	152,694	131,123	5-10
Website	110,676	18,716	
Construction in progress	114,485	-	
Total property and equipment	1,938,854	1,704,338	
Less accumulated depreciation and amortization	(500,567)	(407,055)	
	<u>\$ 1,438,287</u>	<u>\$ 1,297,283</u>	

Construction in progress consists of new campus building construction.

5. GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVABLE

All government grants and contributions receivable are due to be collected in the year ending August 31, 2021.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

5. GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVABLE (Continued)

The Organization has conditional promises to give of \$450,000 as of August 31, 2020, which consists of government grants with remaining commitments that are conditional upon incurring eligible expenditures. Conditional promises to give are recognized in the financial statements when the conditions have been met. The conditions are expected to be met in 2021.

6. LONG-TERM DEBT

Long-term debt consists of the following:

	2020	2019
Propel Nonprofits #3921	\$ 82,978	\$ 91,259
Land Bank Twin Cities, Inc.	100,000	100,000
City of Minneapolis	51,306	53,762
Propel Nonprofits #3919	41,285	101,962
Propel Nonprofits #4144	50,000	50,000
	<u>325,569</u>	<u>396,983</u>
Less current maturities	<u>(278,676)</u>	<u>(232,677)</u>
	<u>\$ 46,893</u>	<u>\$ 164,306</u>

Propel Nonprofits Loan #3921 – Mortgage payable to Propel Nonprofits in the original amount of \$106,973 with monthly payments of \$1,265 at 6.00%. Principal and interest are due December 31, 2020. This note is secured by a building and business assets. On January 7, 2021 this loan was paid in full.

Land Bank Twin Cities, Inc. Loan – Mortgage payable to Land Bank Twin Cities, Inc. with monthly interest-only payments at 5.00%, with principal balance due September 27, 2019. In 2019 the loan agreement was amended to extent the date of maturity to September 27, 2020. The noted was secured by a building. On December 21, 2020, this loan was paid in full.

City of Minneapolis Loan – Mortgage payable to the City of Minneapolis in the original amount of \$165,000. Of this amount, \$82,500 is payable in monthly installments of \$567, including interest at 4.00%. Principal and interest are due January 2030. The remaining \$82,500 of the loan was non-interest bearing and was forgiven. The loan was secured by business assets and a building.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

6. LONG-TERM DEBT (Continued)

Propel Nonprofits Loan #3919 – Mortgage payable to Propel Nonprofits in the original amount of \$200,000 with interest at 3.61%. The note is payable in monthly principal and interest payments of \$4,012. Principal and interest are due December 31, 2020, with a potential of \$80,000 being forgiven if timely loan payments are made. During 2019 \$26,667 was forgiven. The note is secured by buildings and business assets. The mortgage requires the Organization to maintain a building reserve.

Propel Nonprofits Loan #4144 – Mortgage payable to Propel Nonprofits in the original amount of \$50,000 with interest at 6.50%. The note is payable in three monthly interest payments. Principal and interest were due January 31, 2020. On March 27, 2020, the loan was extended through August 31, 2020. This note was secured by a building. On December 21, 2020, this loan was paid in full.

Maturities of long-term debt for the years ending August 31 are as follows:

2021	\$	278,676
2022		4,598
2023		4,785
2024		4,980
2025		5,183
Thereafter		<u>27,347</u>
	\$	<u><u>325,569</u></u>

7. PPP LOAN

The Organization obtained a \$215,900 note payable to Sunrise Bank with interest at 1.0%. The note is funded through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if the Organization uses the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, the note will be required to be repaid with monthly principal and interest payments beginning November 30, 2020 through April 30, 2022, the date all outstanding principal and interest is due. Unsecured.

The Organization expects the entire PPP loan and related accrued interest to be forgiven in 2021. Accordingly, the entire loan balance and accrued interest is included in current liabilities at August 31, 2020.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Purpose:		
JXTALab and youth development	\$ 200,000	\$ 12,000
Capital campaign	1,778,340	1,833,340
Creativity cohort	5,000	55,000
Time restricted	<u>355,730</u>	<u>240,693</u>
	<u>\$ 2,339,070</u>	<u>\$ 2,141,033</u>

Net assets were released from restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
General operations	\$ 236,361	\$ 198,418
Capital campaign	75,000	478,203
Program	<u>117,000</u>	<u>283,108</u>
	<u>\$ 428,361</u>	<u>\$ 959,729</u>

9. CONCENTRATIONS

Approximately 23% (\$550,000) of the Organization's 2020 support and revenue came from two foundations.

Approximately 53% (\$1,000,000) of the Organization's 2019 support and revenue came from one organization.

The Organization maintains its cash in a bank. At times the amount on deposit exceeds the insured limit of the institution and exposes the Organization to a credit risk. The Organization has not experienced any losses on cash deposits. At August 31, 2020, account balances exceeded the federally insured limits by \$1,337,448.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

10. CONTINGENCIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

During 2019 the organization signed a letter of intent to purchase adjacent properties for \$650,000. On June 29, 2020, a purchase agreement was signed with the expected closing date to be March 2, 2021.

11. LEASES

The Organization leases office equipment and program space under operating leases. The office equipment lease for copiers began June 2018 requiring minimum monthly payments of \$572 and expires in June 2023. The program space lease began December 2017, requires monthly payments of \$1,800, and is month-to-month.

Program space lease expense was \$21,600 in 2020 and 2019.

Future minimum lease payments due under the office equipment lease for the years ending August 31 are as follows:

2021	\$ 6,864
2022	6,864
2023	<u>5,148</u>
	<u>\$ 18,876</u>

12. CORONAVIRUS (COVID-19) PANDEMIC

A nationwide public health emergency emerged in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. Due to these regulations, the Organization has not been able to provide on-site programming. The Organization has been able to move most programming to an online format, which has allowed the majority of programming to continue uninterrupted. The Organization was able to secure a PPP loan. See Note 7. The potential future impact of these issues is unknown and therefore no estimate can be made at this time.

(Continued)

JUXTAPOSITION ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2020
(With Comparative Totals for 2019)

13. CAPITAL CAMPAIGN

In May 2018, the Organization formally launched a \$14 million capital campaign to build a state-of-the-art facility. The new building will be located at the Organization's current location and will engage and employ even more young artists in hands-on education initiatives that create pathways to self-sufficiency while actualizing creative power.

The \$14 million will pay for the demolition of existing buildings and the construction of a new building, purchase of equipment and furnishings, programmatic expansion, and a reserve fund. This will be a four-year campaign. Three buildings have been demolished and programmatic services have been expanded to a new location.

In 2019, the scope of the campaign was changed. Instead of constructing a new building at the site of the demolished building, a skate park was built. The current building used for the Organization's office and programming space will be rehabilitated. As of August 31, 2020, approximately \$2.6 million has been raised and \$1.1 million spent.

14. SUBSEQUENT EVENTS

In October and November 2020, the Organization received two donations without donor restrictions totaling \$800,000. A portion of those funds was used to replenish the capital campaign cash shortfall (or deficit) that existed at year end.

Management has evaluated subsequent events through February 24, 2021, the date on which the financial statements were available for issue.