

OGDEN UT 84201-0038

In reply refer to: 0437845969
Sep. 23, 2008 LTR 4168C E0
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BODC: TE

ROSE CENTER AND COUNCIL FOR THE
ARTS INC
PO BOX 1976
MORRISTOWN TN 37816-1976769

17555

Employer Identification Number: 62-0978968
Person to Contact: T. Buckingham
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your request of Sep. 12, 2008, regarding your tax-exempt status.

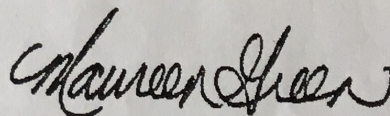
Our records indicate that a determination letter was issued in May 1977, that recognized you as exempt from Federal income tax, and discloses that you are currently exempt under section 501(c)(03) of the Internal Revenue Code.

Our records also indicate you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,



Maureen Green
Operations Mgr., Exam SC Support

Rose Center & Council for the Arts

FY25 Budget

Income

Private Contributions	20,000
Public Contributions	20,000
Corporate Contributions	25,000
United Way	15,000
Grants	50,000
Mountain Makins	35,000
Events & Programs	40,000
Rentals	110,000
Art Sales	10,000
 TOTAL	 \$325,000

Expenses

Utilities	40,000
General Maintenance	20,000
Building Improvements	20,000
Equipment leases	6,000
Liability Insurance	7,000
Workers Comp	2,000
Health Insurance	3,000
Operations	30,000
Program Expenses	22,000
Mountain Makins	20,000
Contract Labor	25,000
Payroll & Taxes	130,000
 TOTAL	 325,000

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.

FINANCIAL STATEMENTS

Year ended June 30, 2024

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.

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Purkey, Carter, Compton, Swann & Carter, PLLC

Certified Public Accountants

2335 W. Andrew Johnson Highway
P. O. Box 727
Morristown, Tennessee 37815

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www.pccsc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rose Center and Council for the Arts, Inc.
Morristown, Tennessee

Opinion

We have audited the accompanying financial statements of Rose Center and Council for the Arts, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 Rose Center and Council for the Arts, Inc. as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standard generally accepted in the United States of America. 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 Rose Center and Council for the Arts, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Rose Center and Council for the Arts, Inc.'s 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 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, 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 Rose Center and Council for the Arts, Inc.'s 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 Rose Center and Council for the Arts, Inc.'s 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.

Purkey, Carter, Compton, Swann & Carter, PLLC

Morristown, TN
January 8, 2025

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

Cash - operations	\$ 346,192
Grant receivable	42,110
Other receivable	1,728
Unconditional promises to give	7,059
Investments	8,663
Cash - restricted	5,564
Investments - restricted	3,508
Endowment fund	117,865
Property and equipment, net	422,180
Collections inventory	39,400
Finance lease right-to-use asset, net	<u>4,290</u>

TOTAL ASSETS	<u>\$ 998,559</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 3,611
Accrued expenses	195
Payroll tax payable	2,328
Deferred revenue	9,430
Finance lease liability	<u>4,290</u>

TOTAL LIABILITIES	19,854
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NET ASSETS

Net assets without donor restrictions	
Undesignated	845,911
Net assets with donor restrictions	<u>132,794</u>

TOTAL NET ASSETS	<u>978,705</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 998,559</u>
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ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions of cash and other financial assets			
Cultural grants	\$ 83,921	\$ -	\$ 83,921
Contributions and local governments	70,592	7,059	77,651
Special events	119,709	-	119,709
Less: Cost of direct benefits to donors	(18,698)	-	(18,698)
Admissions	4,884	-	4,884
Instructional fees	600	-	600
Facilities use charges	111,640	-	111,640
Contributions of nonfinancial assets	122,269	-	122,269
Investment income	3,714	1,441	5,155
Gain/(loss) on investments	(192)	13,935	13,743
Gain on disposal of fixed assets	1,200	-	1,200
Net assets released from restrictions			
Restriction satisfied by time	7,059	(7,059)	-
Restriction satisfied by payments	1,705	(1,705)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	508,403	13,671	522,074
EXPENSE			
Program services			
Community arts	291,872	-	291,872
Supporting services			
Management and general	118,495	-	118,495
Fundraising	55,709	-	55,709
TOTAL EXPENSE	466,076	-	466,076
CHANGE IN NET ASSETS	42,327	13,671	55,998
NET ASSETS AT BEGINNING OF YEAR	803,584	119,123	922,707
NET ASSETS AT END OF YEAR	\$ 845,911	\$ 132,794	\$ 978,705

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024

	Program Services	Supporting Services		Direct Fundraising Costs	Total
	Community Arts	Management and General	Fundraising		
Salaries	\$ 47,986	\$ 46,756	\$ 35,502	\$ -	\$ 130,244
Payroll taxes	3,769	3,667	2,751	-	10,187
Employee benefits	2,019	1,965	1,473	-	5,457
Total salaries and related expenses	53,774	52,388	39,726	-	145,888
Instructors and artists	3,228	-	-	-	3,228
Office expense	1,745	9,307	582	-	11,634
Exhibitions and performances	1,725	-	-	-	1,725
Utilities	25,790	6,877	1,719	-	34,386
Repair and maintenance	12,944	3,452	863	-	17,259
Accounting fees	-	9,437	-	-	9,437
Insurance	4,787	1,277	319	-	6,383
Supplies	11,866	-	625	-	12,491
Advertising	9,850	-	-	-	9,850
Art purchases	6,239	-	-	-	6,239
Performer fees	2,318	-	4,306	-	6,624
Miscellaneous	21,598	-	1,137	-	22,735
Contract labor	16,541	4,411	1,103	-	22,055
Interest	-	148	-	-	148
Depreciation	39,534	9,883	-	-	49,417
Amortization	1,183	315	79	-	1,577
Rent	78,750	21,000	5,250	-	105,000
Cost of goods sold - auction	-	-	-	10,000	10,000
Cost of direct benefits to donors	-	-	-	8,698	8,698
TOTAL EXPENSE	291,872	118,495	55,709	18,698	484,774
Less expenses included with revenue on the statement of activities	-	-	-	(18,698)	(18,698)
Total expenses included in the expense section of the statement of activities	\$ 291,872	\$ 118,495	\$ 55,709	\$ -	\$ 466,076

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 55,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	49,417
Gain on disposal of fixed assets	(1,200)
Amortization of right-to-use asset - finance lease	1,577
Cash restricted for purchase of fixed assets	(40,753)
Investment loss	211
Net realized and unrealized gain on endowment	(13,935)
Endowment investment loss	264
Changes in operating assets:	
Grant receivable	84,452
Other receivable	6,965
Changes in operating liabilities:	
Accounts payable	(1,709)
Accrued expenses	(320)
Payroll tax payable	580
Deferred revenue	<u>1,602</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 143,149

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of securities	(455)
Cash restricted for purchase of fixed assets	40,753
Purchase of fixed assets	<u>(40,753)</u>

NET CASH USED IN INVESTING ACTIVITIES (455)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal reduction in lease liability - finance lease	<u>(1,577)</u>
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NET INCREASE IN CASH AND RESTRICTED CASH 141,117

CASH AND RESTRICTED CASH AT BEGINNING OF YEAR 210,639

CASH AND RESTRICTED CASH AT END OF YEAR \$ 351,756

SUPPLEMENTAL DISCLOSURES

Interest paid	\$ 148
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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rose Center and Council for the Arts, Inc. was organized as a non-profit corporation under the laws of the State of Tennessee in 1986. The Organization serves as a center for historic preservation, arts, crafts, and as a community cultural center furthering the education of the citizens of Hamblen County, Tennessee.

Basis of Accounting

The financial statements of Rose Center and Council for the Arts, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in ASC Topic 958. In accordance with ASC Topic 958, contributions received are recorded, depending on the existence or nature of any donor restrictions, as contributions with donor restrictions or contributions without donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net 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.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets and is reflected as an expense on the Statement of Functional Expenses. The capitalization threshold for property and equipment is \$2,500 per unit.

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Concentrations of Credit Risk

The Organization's concentrations of credit risk consist principally of grants receivable and promises to give. Concentrations of credit risk with respect to grants receivable are limited due to the nature of the grant agreements. Concentrations of credit risk with respect to promises to give are dependent on factors affecting the economy in which contributors live and work. Generally, the Organization does not require collateral on these promises to give.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received and are stated at the amount management expects to collect from outstanding balances. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible promise to give, if necessary. The allowance is based on prior years' experience and management's analysis of the specific promises made.

Functional Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated between Program Services and Supporting Services based on an analysis of those costs identifiable with a specific function or based on an analysis of personnel time and space utilized for the related service.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2024.

The following table provides a reconciliation of cash and restricted cash reported within the Statement of Financial Position that sum to the total in the Statement of Cash Flows as of June 30, 2024:

Cash – operations	\$ 346,192
Cash – restricted	<u>5,564</u>
Total cash and restricted cash	<u>\$ 351,756</u>

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Investments

In accordance with ASC Topic 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Collections Inventory

The collections inventory consists of historic, art, and craft exhibit items donated by individuals or purchased by the Organization. Donated items are stated at the estimated fair market value at the time of donation, and purchased items are recorded at cost. It is the policy of the Organization that no depreciation is computed on the collections inventory which the Organization considers to be inexhaustible.

Contributions of Nonfinancial Assets and Services

Contributions of nonfinancial assets are recorded as contributions at their estimated fair values at the date of donation. See Note N – Contributed Nonfinancial Assets and Services for estimated fair values of donations made during the year ended June 30, 2024.

Contributions of services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contribution revenue from these services is measured based on the estimated fair value of those services. These services are included on the Statement of Activities in contributions of nonfinancial assets.

A number of volunteers have made contributions of their time to Rose Center and Council for the Arts, Inc. to help programs and raise operating funds; however, only services meeting the requirements in ASC Topic 958 are recognized in the financial statements of the Organization.

Advertising

The Organization expenses the cost of advertising as it is incurred. Advertising expense for the year ended June 30, 2024, was \$9,850.

Subsequent Events

The Organization evaluated subsequent events through January 8, 2025, the date the financial statements were available to be issued.

Revenue Recognition

The Organization recognizes revenue when it satisfies a performance obligation by transfer of promised goods or services to customers in an amount that depicts the consideration the Organization expects to be entitled to in exchange for those goods or services. Revenue is not recognized unless the contract has been approved, it identifies each party's rights, it identifies payment terms, it has commercial substance, and it is probable substantially all consideration will be collected by the Organization. The Organization has elected the practical expedients: (1) to account for contracts with similar characteristics as a portfolio of

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

contracts rather than individually; (2) not to adjust the promised amount of consideration for the effects of significant financing component as it expects, at contract inception, that the period between when the Organization transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less; (3) not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations to contracts with an expected duration of less than one year.

When either party to a contract has performed, depending on the relationship between the Organization's performance and the customer's payment, the Organization presents a contract asset or contract liability on the statement of financial position. The Organization presents any unconditional rights to consideration separately on the statement of financial position as a receivable.

The Organization recognizes revenues from facility rentals, programs and fundraising events, gallery art sales, and admissions of events held at the Organization's facilities at a point in time upon transfer of the good or service.

Leases

The Organization determines if an arrangement is a lease at inception. When an arrangement is a lease, management determines if it is an operating lease or finance lease, with classification affecting the pattern of expense recognition in the Statement of Activities. At lease commencement, the Organization records a lease liability and a corresponding right-of-use (ROU) asset. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. The Organization has elected to include lease and non-lease components in determining the lease liability for all leases. The Organization has elected to use a risk-free rate as the discount rate for all leases. A ROU asset and lease liability is not recognized for leases with a term of 12 months or less. Lease expense for these leases are recognized on a straight-line basis over the lease term. See Note J.

NOTE B – LIQUIDITY

Rose Center and Council for the Arts, Inc. has \$390,030 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures consisting of cash of \$346,192, other receivable of \$1,728, and grants receivable of \$42,110. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the Statement of Financial Position date.

The Organization has unconditional promises to give in the amount of \$7,059 restricted by time and when payment is received can be used for general expenditures. The unconditional promises to give are subject to implied time restrictions but are expected to be collected within one year.

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE C – RESTRICTED ASSETS

Cash in the amount of \$5,564 at June 30, 2024, consists of deposits restricted by donors for computer upgrades and renovations on the community and historic classrooms.

Rose Center agreed to maintain a restricted fund to be designated as the Perk Prater Hall Fund. The principal of this fund shall not be spent except in the case of emergency as determined by a majority vote of the Rose Center Board of Directors and with the concurrence of a member of the Board of the Walters Foundation designated for that purpose. The income generated by the restricted fund shall be available only for major maintenance expense of Perk Prater Hall, defined as expenses necessary to maintain the quality of appearance in the hall and said expenses must be in the amount of not less than \$500. Investments in the amount of \$3,508 are restricted by donors at June 30, 2024.

NOTE D – ENDOWMENT FUND INVESTMENTS

Endowment fund investments carried at fair market value in the amount of \$117,865 at June 30, 2024, represent funds held by East Tennessee Foundation (the Foundation) under an agreement to establish an endowment fund for the benefit of Rose Center and Council for the Arts, Inc. The agreement provides that contributions to the fund be deposited with the Foundation and accounted for in the Foundation's designated funds. Contributions from Rose Center and Council for the Arts, Inc. matching grants from the Foundation and any other persons making additional contributions, constitute the funds which are irrevocable and subject to the terms of the agreement. The intended duration of the fund is to continue in perpetuity to provide the Rose Center and Council for the Arts, Inc. with a permanent source of income. East Tennessee Foundation is to hold, manage, invest, administer and make distributions from the fund to Rose Center and Council for the Arts, Inc. under the agreement. The Foundation did not distribute any funds to the Organization during the year ended June 30, 2024.

The Board of Directors of the East Tennessee Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

Endowment fund investments at June 30, 2024, consist of the following:

	<u>Fair Value</u>	<u>Investment Cost Basis</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds	\$ 117,865	\$ 75,810	\$ 42,055

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

The composition of and changes in net assets with donor restrictions from the endowment as of and for the year ended June 30, 2024, are as follows:

Endowment net assets – beginning of year	\$ 104,194
Investment return:	
Investment income	1,441
Net appreciation	13,935
Investment fees	<u>(1,705)</u>
Net investment return	<u>13,671</u>
Endowment net assets – end of year	<u>\$ 117,865</u>

Fair values for these investments are valued as reported by East Tennessee Foundation. The Foundation follows the provisions of FASB ASC 820-10 which defines fair value and establishes a fair value hierarchy based on the quality of measurement inputs. These measurement inputs, as disclosed in the financial statements of East Tennessee Foundation, are as follows:

Level 1 - Inputs are quoted prices in active markets for identical investments as of the reporting date. Investments in this category include equities traded on an active exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets, reported on a recurring basis.

Level 2 - Inputs are observable for the investments, directly or indirectly, as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the-counter derivatives.

Level 3 - Inputs are unobservable and reflect assumptions on the part of the reporting entity. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, fund of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2024:

	Net Assets With Donor <u>Restrictions</u>
Investment fees	\$ (1,705)
Dividends	1,441
Realized gains	2,379
Unrealized gains	<u>11,556</u>
Net investment return	<u>\$ 13,671</u>

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Interpretation of Relevant Law

The Organization's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of Tennessee, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

Funds with Deficiencies

In some instances, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature, if any, are reported in net assets without donor restrictions. There were no such deficiencies as of June 30, 2024.

Investment Policy

The Organization's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of endowment assets over the long term. To this end, the Organization established a designated fund with East Tennessee Foundation, a community foundation, whose goal is to maintain or increase the real value of endowment principal and its distributions over the long term, while funding current needs at an appropriate level. The Foundation's funds are invested in a diversified asset mix composed of U.S. and international equities, fixed income funds, absolute return pools, and private investments.

Spending Policy

Distributions from East Tennessee Foundation's endowment funds are based on a total return concept. Appropriation of endowment income is deemed to occur when funds are transferred into the Organization's operating account. For financial reporting purposes, revenues and expenses are recognized under the full accrual method of accounting.

NOTE E – INVESTMENTS

Investments at June 30, 2024, consist of the following:

	Fair Value	Investment Cost Basis	Unrealized Appreciation (Depreciation)
Marketable equity securities	\$ 11,920	\$ 13,853	\$ (1,933)
Cash	251	251	-
	<u>\$ 12,171</u>	<u>\$ 14,104</u>	<u>\$ (1,933)</u>

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Fair values for the investments are determined by reference to quoted prices in active markets for identical assets (Level 1 within the fair value measurement hierarchy) and reported on a recurring basis.

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2024:

	Net Assets Without Donor Restrictions
Interest and dividends	\$ 439
Realized gain	19
Unrealized loss	<u>(211)</u>
Total investment return	<u>\$ 247</u>

An additional \$708 and \$2,567 of interest income from bank accounts and certificates of deposit, respectively, is also included on the Statement of Activities under investment income.

NOTE F – RECEIVABLES

Grants receivable of \$42,110 at June 30, 2024, consists of amounts due from the Tennessee Arts Commission. Differences between amounts allocated and collected from grants receivable have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

Other receivable of \$1,728 at June 30, 2024, consists of amounts due from a grant recipient for a duplicate payment and returned subsequent to June 30, 2024.

NOTE G – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give of \$7,059 at June 30, 2024, consists of amounts due from United Way of Hamblen County. Promises to give at June 30, 2024, are due in less than one year.

NOTE H – INVENTORY

Collections inventory in the amount of \$39,400 at June 30, 2024, consists of miscellaneous historical and cultural artifacts donated to or purchased by the agency. Donated items are stated at the estimated fair market value at the time of donation.

NOTE I – DEFERRED REVENUE

Deferred revenue of \$9,430 at June 30, 2024, consists of prepaid facility rental fees.

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE J – FINANCE LEASE

The Organization leases a copier under a 63-month financing lease agreement with Toshiba Financial Services. The payments are \$144 per month, plus small charges for any late fees and additional copies.

The following table reconciles the undiscounted lease payments to the lease liabilities reported within the Statement of Financial Position as of June 30, 2024:

Year ending June 30,	
2025	\$ 1,725
2026	1,725
2027	<u>1,007</u>
Total lease payments	4,457
Less: Discount/interest	<u>(167)</u>
Present value of lease liabilities	<u>\$ 4,290</u>

The following tables provide quantitative information concerning the Organization's lease for the year ended June 30, 2024:

Lease Cost	
Finance Lease Cost	
Amortization of right-to-use asset expense	\$ 1,577
Interest on lease liabilities expense	<u>148</u>
Total lease cost	<u>\$ 1,725</u>
Other information	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating cash flows from finance lease	<u>\$ 148</u>
Financing cash flows from finance lease	<u>\$ 1,577</u>
Weighted-average remaining lease term – finance lease	2.6 years
Weighted-average discount rate – finance lease	2.88%

NOTE K – FUNDING

Rose Center and Council for the Arts, Inc. receives a substantial amount of support from grants and public contributions for operations. A major reduction of funds by the public and grantor agencies, should this occur, may have a significant effect on future operations.

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE L – PROPERTY AND EQUIPMENT

Land, buildings, and equipment are stated at cost or estimated fair market value if donated and on June 30, 2024, consisted of the following:

Building improvements	\$ 644,494
Furnishings and equipment	<u>149,259</u>
	793,753
Less: accumulated depreciation	<u>(371,573)</u>
Net property and equipment	<u>\$ 422,180</u>

Depreciation expense for the year ended June 30, 2024, was \$49,417.

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

Prater Hall maintenance	\$ 3,508
United Way for period after June 30, 2024	7,059
Community Room and Historical Classroom	4,362
East Tennessee Foundation Endowment	82,459
Investment return on donor restricted net assets	
Not yet appropriated (E.T. Foundation)	<u>35,406</u>
Total	<u>\$ 132,794</u>

Net assets with donor restrictions from East Tennessee Foundation endowment have restrictions on the use of income as determined by the Foundation.

NOTE N – CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

For the year ended June 30, 2024, contributed nonfinancial assets and services recognized within the Statement of Activities included:

Cost of goods sold donated for auctions	\$ 10,000
Use of property	105,000
Fundraising supplies	6,000
Services	<u>1,269</u>
	<u>\$ 122,269</u>

The Organization recognizes contributed nonfinancial assets revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The Organization receives in-kind donations of time, supplies, and facility use. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

ROSE CENTER AND COUNCIL FOR THE ARTS, INC.
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Contributed cost of goods sold, fundraising supplies, and \$1,000 of services were utilized in fundraising to provide the Organization with opportunities to promote public awareness and raise funds for operational program services. The remainder of contributed services was utilized for alarm monitoring of the Organization's building. The contributed art was utilized in the art gallery.

The Organization, by an agreement extending through the year 2039 and paying the nominal amount of \$12 annually, leases the historic Rose School building from the City of Morristown. The lease agreement stipulates that it is the mutual desire of the parties to maintain and improve the premises through the fundraising efforts and expenditures of the Organization. The difference between the estimated fair value of rent and amount paid is recorded as contributed use of property.

NOTE O – REVENUE FROM CONTRACTS WITH CUSTOMERS

Disclosure of Disaggregated Revenue

For the year ended June 30, 2024, revenues recognized from goods or services transferred to customers at a point in time were \$236,833.

For the year ended June 30, 2024, there were no revenues recognized from goods or services transferred to customers over time.

The Organization's revenues, results of operations, and cash flows are affected by separate factors, including general economic conditions, geographical locations of customers, and type of contract. Contracts with clients are not typically considered long-term due to the structure of client agreements.

Disclosure of Contract Assets, Contract Liabilities and Receivables

The Organization had contract liabilities from contracts with customers in the amount of \$9,430 and \$7,828 at June 30, 2024 and 2023, respectively. There were no contract assets or receivables from contracts with customers at June 30, 2024 and 2023.

NOTE P – RELATED PARTY TRANSACTIONS

The Organization purchased goods and services from business owned or operated by certain board members and their family members totaling \$2,650 during the year ended June 30, 2024.