GROUNDS FOR SCULPTURE

GROUNDS FOR SCULPTURE, INC. AND SUBSIDIARY

Consolidated Financial Statements

December 31, 2018 and 2017

With Independent Auditors' Report

withum

ADVISORY TAX AUDIT

Grounds For Sculpture, Inc. and Subsidiary
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Grounds For Sculpture, Inc. and Subsidiary:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary, ("the Organization") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grounds For Sculpture, Inc. and Subsidiary as of December 31, 2018 and 2017 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters
Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

WithumSmith+Brown, PC

March 26, 2019

Grounds For Sculpture, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2018 and 2017

		2018		2017
Assets				
Cash and cash equivalents	$	1,024,531	$	1,997,212
Investments		4,364,461		4,620,400
Contributions and grants receivable		111,232		82,282
Museum shop inventory		81,841		75,042
Prepaid expenses and other assets		238,224		187,310
Deferred tax asset		149,700		164,200
Collections		--		--
Property and equipment, net		20,903,906		21,326,511
Total assets	$	26,873,895	$	28,452,957
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	426,000	$	478,195
Accrued expenses		238,908		207,601
Deferred program revenue		273,029		315,851
Total liabilities		937,937		1,001,647
Net assets				
Without donor restrictions				
Available for general operations		25,346,298		27,002,085
Board restricted endowment		125,148		131,396
Total without donor restrictions		25,471,446		27,133,481
With donor restrictions				
Time restricted for future periods		34,000		20,000
Purpose restricted		112,680		29,225
Endowment fund		317,832		268,604
Total with donor restrictions		464,512		317,829
Total net assets		25,935,958		27,451,310
Total liabilities and net assets	$	26,873,895	$	28,452,957

The Notes to Consolidated Financial Statements are an integral part of these statements.

Grounds For Sculpture, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
Contributions and grants	$ 2,498,787	$ 190,287	$ 2,689,074
In-kind contributions	112,119	--	112,119
Fundraising events	88,908	--	88,908
	2,699,814	190,287	2,890,101
Revenue			
Admission fees	2,240,509	--	2,240,509
Membership fees	671,536	--	671,536
Education and event program fees	251,996	--	251,996
Food services	66,203	--	66,203
Museum shop sales	418,401	--	418,401
Event rentals	286,103	--	286,103
Rental income	230,435	--	230,435
Investment loss, net	(306,730)	(2,079)	(308,809)
	3,858,453	(2,079)	3,856,374
Net assets released from restrictions	41,525	(41,525)	--
	6,599,792	146,683	6,746,475
Expenses			
Program services			
Art and education programs	5,235,207	--	5,235,207
Auxiliary operations	764,906	--	764,906
Supporting services			
Management and general	1,273,897	--	1,273,897
Fundraising	972,317	--	972,317
	8,246,327	--	8,246,327
Changes in net assets before provision for income taxes	(1,646,535)	146,683	(1,499,852)
Provision for income taxes	(15,500)	--	(15,500)
Changes in net assets	(1,662,035)	146,683	(1,515,352)
Net assets - beginning of year	27,133,481	317,829	27,451,310
Net assets - end of year	$ 25,471,446	$ 464,512	$ 25,935,958

The Notes to Consolidated Financial Statements are an integral part of this statement.

Grounds For Sculpture, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
Contributions and grants	$ 2,823,745	$ 81,950	$ 2,905,695
In-kind contributions	127,095	--	127,095
Fundraising events	231,484	--	231,484
	3,182,324	81,950	3,264,274
Revenue			
Admission fees	2,718,858	--	2,718,858
Membership fees	672,139	--	672,139
Education and event program fees	104,686	--	104,686
Food services	85,311	--	85,311
Museum shop sales	423,149	--	423,149
Event rentals	228,544	--	228,544
Rental income	223,716	--	223,716
Investment income, net	687,485	28,702	716,187
	5,143,888	28,702	5,172,590
Net assets released from restrictions	17,500	(17,500)	--
	8,343,712	93,152	8,436,864
Expenses			
Program services			
Art and education programs	4,740,009	--	4,740,009
Auxiliary operations	735,740	--	735,740
Supporting services			
Management and general	1,247,769	--	1,247,769
Fundraising	1,114,579	--	1,114,579
	7,838,097	--	7,838,097
Changes in net assets before provision from income taxes	505,615	93,152	598,767
Provision from income taxes	(105,900)	--	(105,900)
Changes in net assets	399,715	93,152	492,867
Net assets - beginning of year	26,733,766	224,677	26,958,443
Net assets - end of year	$ 27,133,481	$ 317,829	$ 27,451,310

The Notes to Consolidated Financial Statements are an integral part of this statement.

Grounds For Sculpture, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	$ (1,515,352)	$ 492,867
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	585,665	585,062
Deferred income tax expense	14,500	104,900
Realized and unrealized losses (gains)	419,433	(619,237)
Endowment fund contributions	(58,607)	(42,725)
Changes in assets and liabilities		
Contributions and grants receivable	(28,950)	(38,318)
Museum shop inventory	(6,799)	(30,511)
Prepaid expenses and other assets	(50,914)	39,882
Accounts payable	(52,195)	(58,866)
Accrued expenses	31,307	(79,964)
Deferred program revenue	(42,822)	(181,043)
Net cash (used) provided by operating activities	(704,734)	172,047
Cash flows from investing activities		
Purchase of investments	(280,965)	(509,808)
Sale of investments	117,471	185,777
Purchase of property and equipment	(163,060)	(177,474)
Net cash used by investing activities	(326,554)	(501,505)
Cash flows from financing activities		
Endowment fund contributions	58,607	42,725
Net cash provided by financing activities	58,607	42,725
Net change in cash and cash equivalents	(972,681)	(286,733)
Cash and cash equivalents		
Beginning of year	1,997,212	2,283,945
End of year	$ 1,024,531	$ 1,997,212

Supplemental disclosure of cash flow information

There were no amounts paid for interest or income taxes for the years ended December 31, 2018 and 2017.

The Notes to Consolidated Financial Statements are an integral part of this statement.

Grounds For Sculpture Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Supporting Services			
	Art and Education Programs	Auxiliary Operations	Program Services Total	Management and General	Fundraising	Supporting Services Total	Total
Payroll	$ 1,912,548	$ 217,178	$ 2,129,726	$ 586,846	$ 409,385	$ 996,231	$ 3,125,957
Payroll taxes and benefits	411,678	66,797	478,475	149,329	91,060	240,389	718,864
Cost of goods sold	--	193,672	193,672	--	--	--	193,672
Occupancy	943,239	148,434	1,091,673	138,084	112,709	250,793	1,342,466
Insurance	140,288	11,871	152,159	30,935	14,092	45,027	197,186
Outside artistic services	825,165	--	825,165	--	30,164	30,164	855,329
Outside fees and services	86,503	6,423	92,926	108,528	27,310	135,838	228,764
Office and administrative	17,878	2,856	20,734	11,872	25,647	37,519	58,253
Travel and meetings	38,499	1,368	39,867	21,646	1,585	23,231	63,098
Credit card and bank fees	68,436	12,410	80,846	994	21,333	22,327	103,173
Program materials	80,005	8,408	88,413	1,963	66,671	68,634	157,047
Advertising and marketing	116,880	173	117,053	7,378	2,710	10,088	127,141
Openings	--	--	--	--	29,817	29,817	29,817
Printing and publications	97,836	255	98,091	831	30,046	30,877	128,968
Computer support and maintenance	57,981	11,531	69,512	35,346	13,236	48,582	118,094
Supplies and equipment rental	45,999	4,415	50,414	17,857	1,909	19,766	70,180
Gifts, meals and hospitality	32,917	92	33,009	33,888	12,599	46,487	79,496
Education and training	17,162	1,462	18,624	31,932	12,601	44,533	63,157
Depreciation and amortization	342,193	77,561	419,754	96,468	69,443	165,911	585,665
	$ 5,235,207	$ 764,906	$ 6,000,113	$ 1,273,897	$ 972,317	$ 2,246,214	$ 8,246,327

The Notes to Consolidated Financial Statements are an integral part of this statement.

Grounds For Sculpture Inc. and Subsidiary
Consolidated Statements of Functional Expenses
Year Ended December 31, 2017

	Program Services			Supporting Services			
	Art and Education Programs	Auxiliary Operations	Program Services Total	Management and General	Fundraising	Supporting Services Total	Total
Payroll	$ 1,691,025	$ 195,531	$ 1,886,556	$ 558,016	$ 413,053	$ 971,069	$ 2,857,625
Payroll taxes and benefits	381,085	46,636	427,721	149,385	89,303	238,688	666,409
Cost of goods sold	--	204,701	204,701	--	--	--	204,701
Occupancy	919,404	143,353	1,062,757	133,214	109,475	242,689	1,305,446
Insurance	140,553	11,492	152,045	30,381	13,576	43,957	196,002
Outside artistic services	693,331	--	693,331	150	33,599	33,749	727,080
Outside fees and services	75,181	85	75,266	113,336	71,256	184,592	259,858
Office and administrative	10,227	3,634	13,861	13,682	25,136	38,818	52,679
Travel and meetings	35,008	1,598	36,606	26,401	7,739	34,140	70,746
Credit card and bank fees	74,505	12,620	87,125	1,236	28,317	29,553	116,678
Program materials	80,736	17,769	98,505	3,493	114,355	117,848	216,353
Advertising and marketing	99,313	104	99,417	--	1,767	1,767	101,184
Openings	--	--	--	--	32,220	32,220	32,220
Printing and publications	71,757	397	72,154	1,139	30,398	31,537	103,691
Computer support and maintenance	56,296	11,184	67,480	36,902	14,939	51,841	119,321
Supplies and equipment rental	33,296	3,793	37,089	19,507	28,778	48,285	85,374
Gifts, meals and hospitality	23,678	135	23,813	41,880	14,781	56,661	80,474
Education and training	16,058	1,708	17,766	23,058	16,370	39,428	57,194
Depreciation and amortization	338,556	81,000	419,556	95,989	69,517	165,506	585,062
	$ 4,740,009	$ 735,740	$ 5,475,749	$ 1,247,769	$ 1,114,579	$ 2,362,348	$ 7,838,097

The Notes to Consolidated Financial Statements are an integral part of this statement.

1. ORGANIZATION AND PURPOSE

Grounds For Sculpture, Inc., is a New Jersey not-for-profit corporation incorporated on December 7, 1999, to promote an understanding of and appreciation for contemporary sculpture for all people by maintaining a 42-acre sculpture park in Hamilton, NJ, featuring works by well-known and emerging American and international artists and by organizing accessible exhibitions and interpreting these exhibitions through publications, lectures, workshops and other educational programs. In accordance with its mission, Grounds For Sculpture, Inc. presents visitors with an evolving permanent outdoor collection, seasonal exhibitions, and educational programs designed to facilitate the understanding of and appreciation for contemporary sculpture. Significant sources of revenue are from contributions, grants and contracts, sales of merchandise, special events, admissions income, and income from programs operated to promote Grounds For Sculpture Inc.'s purpose.

GFSL, Inc. (“GFSL”), a wholly-owned for profit subsidiary of Grounds For Sculpture, Inc., operates a restaurant, café and catering service for patrons of the park as well as the general public. Effective April 2016, the foodservice operations of GFSL, Inc., including the liquor license have been transferred to an outside management company. Under the terms of the 10 year agreement, there will be an annual rental fee paid as well as commissions based on achievement of certain sales levels and the agreement can be cancelled by either party with notice. Significant sources of revenue for GFSL are from rental income and commissions received as part of the contract with the outside company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation
The assets, liabilities, net assets, revenues and expenses of Grounds For Sculpture, Inc. and its subsidiary GFSL, Inc. have been consolidated as Grounds For Sculpture, Inc. and Subsidiary (the “Organization” or “GFS”). All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation
The consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require Grounds For Sculpture, Inc. and Subsidiary to report information regarding its financial position and activities according to the following net asset classifications.

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Grounds For Sculpture, Inc’s management and the board of directors.

- Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Grounds For Sculpture, Inc. and Subsidiary or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue and Support Recognition

Revenue Recognition
Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Revenue and costs of sales of goods are reported net of discounts and sales taxes. Corporate and individual memberships are reflected in support and revenue ratably over the annual membership period. Admission fees and food service are recorded at the time the service is provided.

Contributions
GFS recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions and Grants Receivable
Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to income all balances that are considered uncollectable. Contributions and grants receivable are expected to be collected in the next fiscal year.

In-kind Donations
The Organization's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. In-kind donations of $10,119 and $29,095 were recorded for the years ended December 31, 2018 and 2017, respectively.

GFS leases office, education and exhibition space from The Seward Johnson Atelier under a one year renewable lease at the rate of $1 per year. The premises are to be used in the Organization's charitable activities. The consolidated financial statements include an in-kind contribution of $102,000 and $98,000 occupancy expense for the years ended December 31, 2018 and 2017, respectively.

Other Revenues
Revenues with no restrictions are obtained from the admission fees, food services, rental income, sale of merchandise, special events, and program fees. These revenues are recorded when the park admission is used, as the leased property is used, merchandise is sold or the program has occurred and are used to offset program expenses as well as the cost of property and equipment acquisitions and management and general and development expenses. Program revenues and admission fees received in advance of their usage are classified as deferred program revenue in the consolidated statements of financial position.

Membership fees are recorded when earned based on the level of membership purchased and the value received over the term of membership, which is normally one year from date of purchase. Memberships that carry member benefits that can be utilized in future periods have been recorded as deferred program revenue in the consolidated statements of financial position.

Investments
Investments, primarily consisting of equity securities and certificates of deposit, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Museum Shop Inventory
GFS maintains an inventory of books, posters, sculpture replicas and other mission related products, purchased for resale, that are sold in its Museum Shops. Inventory is valued at the lower of cost or net realizable value. Costs are determined on a first-in, first-out basis.

Estimates

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

Advertising

Advertising is expensed in the period incurred. Advertising amounted to $127,141 and $101,184 for the years ended December 31, 2018 and 2017, respectively.

Property and Equipment

Property and equipment are recorded at cost, except for donated items which are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method based on the assets' estimated useful lives. When assets are retired or otherwise disposed of, the cost and the accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to operations as incurred. Significant renewals and betterments of $5,000 or more are capitalized.

Collections

Collections consist of sculptures and other contemporary art pieces. The primary focus of the collection is to maintain, exhibit, interpret, and engage visitors with works of contemporary sculptures. Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with net assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted funds.

During 2018 and 2017, GFS purchased $-0- and $78,262 of artwork, respectively, which is included in program expense in the consolidated statements of functional expenses. Contributions of collection items are not recognized in the consolidated statements of activities and changes in net assets. Proceeds from deaccessions or insurance recoveries are reflected on the consolidated statements of activities and changes in net assets based on the absence or existence and nature of donor-imposed restrictions. There were no sales or deaccessions in 2018 or 2017.

Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept encumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Expense Allocation

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Expenses are directly charged to the program activities other than those that benefit multiple functions. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services of GFS. Those expenses include occupancy, telephone, computer support and maintenance, and insurance. Occupancy is allocated based on a square footage basis, telephone and computer support and maintenance are allocated based upon individual departmental users, and insurance is allocated based upon salaries. Expenses for the museum shop and event rentals are included in auxiliary operations in the consolidated statements of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Valuation of Long-Lived Assets
In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets*,* GFS reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these consolidated financial statements.

Fair Value of Financial Instruments
The carrying amounts of financial instruments including cash and cash equivalents, grants and contracts, contribution and other receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Income Taxes
Grounds For Sculpture, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the consolidated financial statements do not reflect a provision for Federal income taxes related to Grounds For Sculpture, Inc.

GFSL, Inc. is subject to federal and state income taxes. and files tax returns in the U.S. federal and State of New Jersey jurisdictions. GFSL, Inc. provides for the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred income tax assets and liabilities are recognized for the differences between financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. The current income tax provision estimates the tax due on the income tax returns for the year reported.

There were no uncertain tax positions at December 31, 2018 and 2017. Additionally, neither entity had any income tax related penalties or interest for the years covered by the consolidated financial statements.

Recent Accounting Pronouncements

Revenue Recognition – Exchange Transactions
In May 2014, the FASB issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for the Organization beginning January 1, 2019. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the consolidated financial statements. The Organization is currently evaluating the impact of adoption of ASC 606. At this time, management believes that ASC 606 will not have a material impact on its consolidated financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition – Contribution Received and Made
In June 2018 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).The FASB issued this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date is for the year ended December 31, 2019.

Leases
In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019.

GFS is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

3. INVESTMENTS

Investments at market value and cost at December 31 were as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Exchange traded funds	$ 3,598,966	$ 3,785,260	$ 3,432,035	$ 4,003,708
Common stock	58,945	186,570	111,788	196,803
Mutual funds	116,825	40,571	57,742	59,899
Pooled investments	305,609	352,060	296,623	359,990
	$ 4,080,345	$ 4,364,461	$ 3,898,188	$ 4,620,400

Investment (loss) income related to these investments is included with investment income earned by cash and cash equivalents on the consolidated statements of activities and changes in net assets at December 31, and was comprised of the following:

	2018	2017
Interest and dividend income	$ 110,624	$ 96,950
Realized gain	9,252	69,346
Unrealized (loss) gain	(428,685)	549,891
Investment fees	--	--
	$ (308,809)	$ 716,187

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, was comprised of the following:

	Estimated Useful Life (in Years)	December 31, 2018	December 31, 2017
Land	--	$ 5,267,140	$ 5,267,140
Buildings and site improvements	15-39	16,887,041	16,862,674
Furniture and equipment	5-15	1,122,016	983,323
Computer software and hardware	3-5	246,150	246,150
Vehicles	5	125,777	125,777
		23,648,124	23,485,064
Less accumulated depreciation		(2,744,218)	(2,158,553)
		$ 20,903,906	$ 21,326,511

Depreciation expense charged to operations amounted to $585,665 and $585,062 for the years ended December 31, 2018 and 2017, respectively.

5. RECURRING FAIR VALUE MEASUREMENTS

GFS has provided fair value disclosure information for relevant assets and liabilities in these consolidated financial statements. For applicable assets (liabilities) subject to this pronouncement, GFS will value such assets (liabilities) using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, GFS will next attempt to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, GFS will develop measurement criteria based on the best information available (Level 3).

The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, along with the basis for the determination of fair value:

	2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Exchange traded funds	$ 3,785,260	$ 3,785,260	$ --	$ --
Common stock	186,570	186,570	--	--
Mutual funds	40,571	40,571	--	--
	4,012,401	$ 4,012,401	$ --	$ --
Investments measured at net asset value (a)	352,060			
	$ 4,364,461			

	2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Exchange traded funds	$ 4,003,708	$ 4,003,708	$ --	$ --
Common stock	196,803	196,803	--	--
Mutual funds	59,899	59,899	--	--
	4,260,410	$ 4,260,410	$ --	$ --
Investments measured at net asset value (a)	359,990			
	$ 4,620,400			

(a) This class includes funds held and managed by a community foundation. The Organization has an ownership share interest in the investment pool, which is valued on a monthly basis to market based on the net asset value per share.

6. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2018	2017
Financial assets		
Cash and cash equivalents	$ 974,560	$ 1,957,212
Prepaids and other assets	77,192	70,817
Contributions and grants receivable, current	101,232	67,282
Investments	3,975,486	4,260,410
Total financial assets available within one year	$ 5,128,470	$ 6,355,721

The Organization's cash flows have seasonal variations during the year attributable to admission fees and event fees. There is an additional approximately $125,000 and $131,000 respectively in funds functioning as an endowment at each of the years ended December 2018 and 2017, not included above, which is available for general expenditure with Board approval.

7. DEFERRED PROGRAM REVENUE

GFS has deferred program revenue of $273,029 and $315,851 at December 31, 2018 and 2017, respectively. Deferred program revenue has been recorded for event deposits and program fees that are associated with programs and events occurring in the next fiscal year and for the portion of membership fees attributable to the next fiscal year.

8. EMPLOYEE RETIREMENT PLAN

All employees of Grounds For Sculpture, Inc. who have completed minimum service requirements are eligible to participate in the Grounds For Sculpture 403(b) Profit Sharing Plan (the "Plan"). Participants in the Plan are eligible to contribute amounts up to the maximum allowed by law on an annual basis. In addition, Grounds For Sculpture, Inc. may make a discretionary non-elective contributions as defined by the Plan. Employees that are participating in the Plan are eligible for a maximum annual contribution limited to the lesser of 7 percent of their salary or the amount contributed into the Plan. Discretionary annual employer contributions, amounted to $106,426 and $91,495 for the years ended December 31, 2018 and 2017, respectively.

9. CONTRIBUTED SERVICES

GFS pays for most services requiring specific expertise. However, many individuals donate their time in performing a variety of tasks to assist GFS operations. The donated hours and value of these contributed services have not been included in these consolidated financial statements, as they do not meet the criteria for recognition and were estimated for the years ended December 31, 2018 and 2017 as follows:

	Hours	Value
2018	6,884	$ 75,166
2017	8,182	$ 88,756

10. INCOME TAXES

GFSL files separate income tax returns. The provision for income taxes for the years ended December 31, is as follows:

	2018	2017
Current tax expense		
Federal	$ --	$ 13,101
State	1,000	6,700
	1,000	19,801
Deferred tax expense		
Federal	10,100	86,099
State	4,400	--
	14,500	86,099
	$ 15,500	$ 105,900

At December 31, 2018 and 2017, deferred income tax assets are attributable to net operating loss carryforwards. At December 31, 2018 and 2017, GFSL had Federal net operating loss carryforwards of approximately $553,000 and $600,000, respectively, and state net operating loss carryforwards of approximately $375,000 and $424,000, respectively, available to offset future taxable income expiring at various dates from 2031 through 2036.

The Tax Cuts and Jobs Act was enacted on December 22, 2017, which changed the corporate income tax rates. Therefore, deferred tax assets were re-measured at December 31, 2017, based on the rates at which they are expected to reverse in the future, which is 21 percent. The amount recorded as tax expense, related to the re-measurement of the Organization's deferred tax balance was $86,099. This was included in the deferred tax component of the federal tax shown above. The remaining deferred tax asset associated with the net operating loss carryforwards as adjusted to the new tax rate, amounted to $149,700 and $164,200 for the years ended December 31, 2018 and 2017, respectively.

Net operating loss carryforwards of approximately $48,000 and $62,000 were used for the years ended December 31, 2018 and 2017, respectively. The net operating loss carryforwards are anticipated to be used prior to their expiration therefore, no valuation allowance has been established.

11. OPERATING LEASES

Equipment lease expense under non-cancelable operating leases for office equipment expiring through March 2020 amounted to $12,472 and $13,762 for the years ended December 31, 2018 and 2017, respectively. Future minimum payment for the remaining lease terms are as follows:

Years Ending December 31,	Amount
2019	$ 10,135
2020	1,689

Rental income is received under an operating lease for the use of restaurant facilities and equipment, which expires in December 2024, but which can be terminated by either party with 120 days written notice. The lease calls for a base rent, with annual 3 percent escalations, plus commissions of 5 percent for food sales and 10-15 percent for external catering sales, once a minimum threshold is reached for each category. The base rental income is received monthly under the terms of the lease.

Future minimum payments for the remaining lease terms are as follows:

Years Ending December 31,	Amount
2019	$ 237,360
2020	244,476
2021	251,820
2022	259,368
2023 and thereafter	542,319

12. ENDOWMENT FUNDS

The Organization's endowment fund (the "Fund") includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Purpose
The donor-endowed funds were established at GFS to provide stable and long-term support for its general operations allowing it to maintain the Park and the access to programs that attract a broad cross-section of the public to visit as well as to support exhibitions, conservation care, and acquisitions that will broaden and enrich the public experience of art at Grounds For Sculpture.

Interpretation of Relevant Law
The Board of Directors of the Organization has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. Net assets are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Organization and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies
In accordance with the investment policy, the objectives of the Fund are to create growth while enabling an annual draw down. Long-term total return is more important than short-term results.

Spending Policy
The Organization has adopted a discretionary spending policy to be applied to its endowment funds, which is within prudent limits as outlined in UPMIFA. The Board can determine each year how much to distribute from its designated endowment to use for its current operating purposes. This policy enables the Organization to preserve and strengthen its endowment for the future.

Investment Return
Investment return is accumulated in net assets with donor restrictions until appropriated for expenditure.

Net Asset Composition
A reconciliation of the beginning and ending balances of the Organization's endowment, in total and by net asset class, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	$ 114,821	$ 197,177	$ 311,998
Investment return	16,575	28,702	45,277
Contributions	--	42,725	42,725
Amounts appropriated for expenditure	--	--	--
Endowment net assets, December 31, 2017	131,396	268,604	400,000
Investment return	(1,202)	(2,079)	(3,281)
Contributions	--	58,607	58,607
Amounts appropriated for expenditure	(5,046)	(7,300)	(12,346)
Endowment net assets, December 31, 2018	$ 125,148	$ 317,832	$ 442,980
Investment by type of fund			
Donor restricted "true" endowment			
Historical gift value	$ --	$ 297,472	$ 297,472
Appreciation	--	20,360	20,360
Board designated "funds" functioning as endowment	125,148	--	125,148
	$ 125,148	$ 317,832	$ 442,980

13. NET ASSETS

Net assets were comprised of the following at December 31:

	2018			2017		
Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Grounds For Sculpture, Inc.						
Operating	$ 25,746,249	$ --	$ 25,746,249	$ 27,435,045	$ --	$ 27,435,045
Board designated endowment	125,148	--	125,148	131,396	--	131,396
Time restricted for future periods	--	34,000	34,000	--	20,000	20,000
Purpose restricted for programs	--	112,680	112,680	--	29,225	29,225
Endowment fund	--	317,832	317,832	--	268,604	268,604
	25,871,397	464,512	26,335,909	27,566,441	317,829	27,884,270
GFSL, Inc.						
Operating	(399,951)	--	(399,951)	(432,960)	--	(432,960)
	$ 25,471,446	$ 464,512	$ 25,935,958	$ 27,133,481	$ 317,829	$ 27,451,310

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2018	2017
Harriet Tubman and Other Truths	$ 10,000	$ 10,000
Wellness Walks	7,500	7,500
Community Convening Space	11,725	--
Exhibitions, conservation care and acquisition	7,300	--
Time restricted for future periods	5,000	--
	$ 41,525	$ 17,500

14. CONCENTRATIONS

GFS's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, and receivables. At times during the year, cash of GFS deposited in financial institutions exceeds the FDIC limit of $250,000. The management of GFS deposits cash funds in high quality institutions to mitigate the risk due to uninsured exposure.

GFS has a long-standing history of collecting its pledges and contributions receivable, which are from various individuals, corporations and foundations. An allowance for uncollectible accounts is normally recorded in the consolidated financial statements for any amounts considered uncollectible. This limits GFS's exposure to credit risk.

GFS has received revenue from one donor that amounted to 16 percent and 13 percent of total revenue for the years ended December 31, 2018 and 2017, respectively. GFS received contributions totaling approximately $187,000 and $119,000 from members of the Board of Trustees for the years ended December 31, 2018 and 2017, respectively.

15. SUBSEQUENT EVENTS

GFS has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of March 26, 2019 the date the consolidated financial statements were available for release. Based upon this evaluation, GFS has determined that no subsequent events have occurred, which require adjustment to or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Grounds For Sculpture, Inc. and Subsidiary
Consolidating Statements of Financial Position
December 31, 2018

	Grounds For Sculpture, Inc.	GFSL, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	$ 1,011,136	$ 13,395	$ --	$ 1,024,531
Investments	4,364,461	--	--	4,364,461
Contributions and grants receivable	111,232	--	--	111,232
Museum shop inventory	81,841	--	--	81,841
Prepaid expenses and other assets	237,224	1,000	--	238,224
Deferred tax asset	--	149,700	--	149,700
Collections	--	--	--	--
Property and equipment, net	20,887,082	16,824	--	20,903,906
Intercompany (payable) receivable	(242,593)	242,593	--	--
Investment in subsidiary	520,000	--	(520,000)	--
Total assets	$ 26,970,383	$ 423,512	$ (520,000)	$ 26,873,895
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 210,858	$ 215,142	$ --	$ 426,000
Accrued expenses	238,908	--	--	238,908
Deferred program revenue	184,708	88,321	--	273,029
Total liabilities	634,474	303,463	--	937,937
Net assets				
Capital contribution	--	520,000	(520,000)	--
Without donor restrictions				
Available for general operations	25,746,249	(399,951)	--	25,346,298
Board restricted endowment	125,148	--	--	125,148
Total without donor restrictions	25,871,397	(399,951)	--	25,471,446
With donor restrictions				
Time restricted for future periods	34,000	--	--	34,000
Purpose restricted	112,680	--	--	112,680
Endowment fund	317,832	--	--	317,832
Total with donor restrictions	464,512	--	--	464,512
Total net assets	26,335,909	120,049	(520,000)	25,935,958
Total liabilities and net assets	$ 26,970,383	$ 423,512	$ (520,000)	$ 26,873,895

See Independent Auditors' Report.

Grounds For Sculpture, Inc. and Subsidiary
Consolidating Statements of Financial Position
December 31, 2017

	Grounds For Sculpture, Inc.	GFSL, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	$ 1,961,835	$ 35,377	$ --	$ 1,997,212
Investments	4,620,400	--	--	4,620,400
Contributions and grants receivable	82,282	--	--	82,282
Museum shop inventory	75,042	--	--	75,042
Prepaid expenses and other assets	185,210	2,100	--	187,310
Deferred tax asset	--	164,200	--	164,200
Collections	--	--	--	--
Property and equipment, net	21,291,990	34,521	--	21,326,511
Intercompany (payable) receivable	(207,390)	207,390	--	--
Investment in subsidiary	520,000	--	(520,000)	--
Total assets	$ 28,529,369	$ 443,588	$ (520,000)	$ 28,452,957
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 256,897	$ 221,298	$ --	$ 478,195
Accrued expenses	207,601	--	--	207,601
Deferred program revenue	180,601	135,250	--	315,851
Total liabilities	645,099	356,548	--	1,001,647
Net assets				
Capital contribution	--	520,000	(520,000)	--
Without donor restrictions				--
Available for general operations	27,435,045	(432,960)	--	27,002,085
Board restricted endowment	131,396	--	--	131,396
Total without donor restrictions	27,566,441	(432,960)	--	27,133,481
With donor restrictions				
Time restricted for future periods	20,000	--	--	20,000
Purpose restricted	29,225	--	--	29,225
Endowment fund	268,604	--	--	268,604
Total with donor restrictions	317,829	--	--	317,829
Total net assets	27,884,270	87,040	(520,000)	27,451,310
Total liabilities and net assets	$ 28,529,369	$ 443,588	$ (520,000)	$ 28,452,957

Grounds For Sculpture, Inc. and Subsidiary
Consolidating Statements of Activities and Changes in Net Assets
Year Ended December 31, 2018

	Grounds For Sculpture, Inc.	GFSL, Inc.		Total	Grounds For Sculpture, Inc.	
	Without Donor Restrictions		Eliminations	Total Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Support						
Contributions and grants	$ 2,498,787	$ --	$ --	$ 2,498,787	$ 190,287	$ 2,689,074
In-kind contributions	112,119	--	--	112,119	--	112,119
Fundraising events	88,908	--	--	88,908	--	88,908
	2,699,814	--	--	2,699,814	190,287	2,890,101
Revenue						
Admission fees	2,240,509	--	--	2,240,509	--	2,240,509
Membership fees	671,536	--	--	671,536	--	671,536
Education and event program fees	251,996	--	--	251,996	--	251,996
Food services	--	66,203	--	66,203	--	66,203
Museum shop sales	418,401	--	--	418,401	--	418,401
Event rentals	286,103	--	--	286,103	--	286,103
Rental income	230,435	--	--	230,435	--	230,435
Investment (loss) income, net	(306,750)	20	--	(306,730)	(2,079)	(308,809)
	3,792,230	66,223	--	3,858,453	(2,079)	3,856,374
Net assets released from restrictions	41,525	--	--	41,525	(41,525)	--
	6,533,569	66,223	--	6,599,792	146,683	6,746,475
Expenses						
Program services						
Art and education programs	5,235,207	--	--	5,235,207	--	5,235,207
Auxiliary operations	747,192	17,714	--	764,906	--	764,906
Supporting services						
Management and general	1,273,897	--	--	1,273,897	--	1,273,897
Fundraising	972,317	--	--	972,317	--	972,317
	8,228,613	17,714	--	8,246,327	--	8,246,327
Changes in net assets before provision for income taxes	(1,695,044)	48,509	--	(1,646,535)	146,683	(1,499,852)
Provision for income taxes	--	(15,500)	--	(15,500)	--	(15,500)
Changes in net assets	(1,695,044)	33,009	--	(1,662,035)	146,683	(1,515,352)
Net assets - beginning of year	27,566,441	(432,960)	--	27,133,481	317,829	27,451,310
Net assets - end of year	$ 25,871,397	$ (399,951)	$ --	$ 25,471,446	$ 464,512	$ 25,935,958

Grounds For Sculpture, Inc. and Subsidiary
Consolidating Statements of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Grounds For Sculpture, Inc.	GFSL, Inc.		Total	Grounds For Grounds For	
	Without Donor Restrictions		Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Support						
Contributions and grants	$ 2,823,745	$ --	$ --	$ 2,823,745	$ 81,950	$ 2,905,695
In-kind contributions	127,095	--	--	127,095	--	127,095
Fundraising events	231,484	--	--	231,484	--	231,484
	3,182,324	--	--	3,182,324	81,950	3,264,274
Revenue						
Admission fees	2,718,858	--	--	2,718,858	--	2,718,858
Membership fees	672,139	--	--	672,139	--	672,139
Education and event program fees	104,686	--	--	104,686	--	104,686
Food services	--	85,311	--	85,311	--	85,311
Museum shop sales	423,149	--	--	423,149	--	423,149
Event rentals	228,544	--	--	228,544	--	228,544
Rental income	223,716	--	--	223,716	--	223,716
Investment income, net	687,296	189	--	687,485	28,702	716,187
	5,058,388	85,500	--	5,143,888	28,702	5,172,590
Net assets released from restrictions	17,500	--	--	17,500	(17,500)	--
	8,258,212	85,500	--	8,343,712	93,152	8,436,864
Expenses						
Program services						
Art and education programs	4,740,009	--	--	4,740,009	--	4,740,009
Auxiliary operations	710,937	24,803	--	735,740	--	735,740
Supporting services						
Management and general	1,247,769	--	--	1,247,769	--	1,247,769
Fundraising	1,114,579	--	--	1,114,579	--	1,114,579
	7,813,294	24,803	--	7,838,097	--	7,838,097
Changes in net assets before provision from income taxes	444,918	60,697	--	505,615	93,152	598,767
Provision from income taxes	--	(105,900)	--	(105,900)	--	(105,900)
Changes in net assets	444,918	(45,203)	--	399,715	93,152	492,867
Net assets - beginning of year	27,121,523	(387,757)	--	26,733,766	224,677	26,958,443
Net assets - end of year	$ 27,566,441	$ (432,960)	$ --	$ 27,133,481	$ 317,829	$ 27,451,310