



G R O U N D S F O R S C U L P T U R E

**GROUND S FOR SCULPTURE, INC. AND SUBSIDIARY**  
**Consolidated Financial Statements**  
**December 31, 2021 and 2020**  
**With Independent Auditor's Reports**

**Grounds For Sculpture, Inc. and Subsidiary**  
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**December 31, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary (the "Organization" or "GFS"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grounds For Sculpture, Inc. and Subsidiary as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

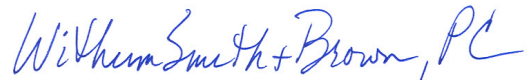
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information and supplementary schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are 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. 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

March 25, 2022

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,745,827	\$ 2,164,201
Investments	16,151,337	12,384,221
Contributions and grants receivable	182,340	88,535
Museum shop inventory	68,837	70,263
Prepaid expenses and other assets	315,501	247,626
Prepaid utility benefits	1,051,397	1,103,212
Prepaid production costs	274,950	-
Deferred income taxes	124,800	126,900
Property and equipment, net	20,798,095	20,217,803
Collection (Note 2)	-	-
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 41,713,084</u>	<u>\$ 36,402,761</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 373,229	\$ 410,007
Accrued expenses	224,588	452,505
Deferred program revenue	224,248	195,126
Loan payable	840,098	1,031,606
Line of credit	500,000	-
Paycheck Protection Program loan	-	592,250
Economic Injury Disaster Loan	150,000	150,000
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,312,163</u>	<u>2,831,494</u>
<b>Net assets</b>		
Without donor restrictions	26,530,687	25,654,989
With donor restrictions	12,870,234	7,916,278
	<u>                    </u>	<u>                    </u>
Total net assets	<u>39,400,921</u>	<u>33,571,267</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 41,713,084</u>	<u>\$ 36,402,761</u>

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, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Support			
Contributions and grants	\$ 2,164,173	\$ 2,998,546	\$ 5,162,719
In-kind contributions	119,415	-	119,415
Fundraising events	11,590	-	11,590
PPP Loan forgiveness	<u>1,158,822</u>	<u>-</u>	<u>1,158,822</u>
	<u>3,454,000</u>	<u>2,998,546</u>	<u>6,452,546</u>
Revenue			
Admission fees	3,078,306	-	3,078,306
Membership fees	803,966	-	803,966
Education and event program fees	88,385	-	88,385
Food services	100,316	-	100,316
Museum shop sales	230,006	-	230,006
Event rentals	206,686	-	206,686
Rental income	251,808	-	251,808
SREC revenue	143,740	-	143,740
Investment return	<u>167,347</u>	<u>2,336,094</u>	<u>2,503,441</u>
	<u>5,070,560</u>	<u>2,336,094</u>	<u>7,406,654</u>
Net assets released from restrictions	<u>380,684</u>	<u>(380,684)</u>	<u>-</u>
	<u>8,905,244</u>	<u>4,953,956</u>	<u>13,859,200</u>
<b>Expenses</b>			
Program services			
Art and education programs	4,931,964	-	4,931,964
Auxiliary operations	663,838	-	663,838
Supporting services			
Management and general	1,300,197	-	1,300,197
Fundraising	<u>1,130,947</u>	<u>-</u>	<u>1,130,947</u>
	<u>8,026,946</u>	<u>-</u>	<u>8,026,946</u>
Changes in net assets before provision for income taxes	878,298	4,953,956	5,832,254
<b>Provision for income taxes</b>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
<b>Changes in net assets</b>	875,698	4,953,956	5,829,654
<b>Net assets</b>			
Beginning of year	<u>25,654,989</u>	<u>7,916,278</u>	<u>33,571,267</u>
End of year	<u>\$ 26,530,687</u>	<u>\$ 12,870,234</u>	<u>\$ 39,400,921</u>

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, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Support			
Contributions and grants	\$ 1,843,041	\$ 7,541,584	\$ 9,384,625
In-kind contributions	111,787	-	111,787
	<u>1,954,828</u>	<u>7,541,584</u>	<u>9,496,412</u>
Revenue			
Admission fees	1,177,529	-	1,177,529
Membership fees	526,907	-	526,907
Education and event program fees	15,118	-	15,118
Food services	14,300	-	14,300
Museum shop sales	21,352	-	21,352
Event rentals	11,959	-	11,959
Rental income	244,476	-	244,476
SREC revenue	162,600	-	162,600
Investment return	1,534,621	35,214	1,569,835
	<u>3,708,862</u>	<u>35,214</u>	<u>3,744,076</u>
Net assets released from restrictions	149,140	(149,140)	-
	<u>5,812,830</u>	<u>7,427,658</u>	<u>13,240,488</u>
<b>Expenses</b>			
Program services			
Art and education programs	3,483,873	-	3,483,873
Auxiliary operations	442,186	-	442,186
Supporting services			
Management and general	1,262,226	-	1,262,226
Fundraising	618,650	-	618,650
	<u>5,806,935</u>	<u>-</u>	<u>5,806,935</u>
Changes in net assets before provision for income taxes	5,895	7,427,658	7,433,553
<b>Provision for income taxes</b>	<u>3,950</u>	<u>-</u>	<u>3,950</u>
<b>Changes in net assets</b>	1,945	7,427,658	7,429,603
<b>Net assets</b>			
Beginning of year	<u>25,653,044</u>	<u>488,620</u>	<u>26,141,664</u>
End of year	<u>\$ 25,654,989</u>	<u>\$ 7,916,278</u>	<u>\$ 33,571,267</u>

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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating activities</b>		
Changes in net assets	\$ 5,829,654	\$ 7,429,603
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	637,830	601,265
Deferred income tax	2,100	2,700
Realized and unrealized gains	(2,278,449)	(1,421,962)
Endowment fund contributions	(2,688,770)	(7,503,800)
PPP Loan forgiveness	(1,158,822)	-
Changes in assets and liabilities		
Contributions and grants receivable	(93,805)	49,960
Museum shop inventory	1,426	22,745
Prepaid expenses and other assets	(67,875)	15,586
Prepaid utility benefits	51,815	52,788
Prepaid production costs	(274,950)	-
Accounts payable	(36,778)	157,917
Accrued expenses	(227,917)	45,240
Deferred program revenue	29,122	(31,111)
Net cash used in operating activities	<u>(275,419)</u>	<u>(579,069)</u>
<b>Investing activities</b>		
Purchase of investments	(3,115,304)	(12,352,036)
Proceeds from sale of investments	1,626,637	6,562,835
Purchase of property and equipment	(1,218,122)	(278,655)
Net cash used in investing activities	<u>(2,706,789)</u>	<u>(6,067,856)</u>
<b>Financing activities</b>		
Proceeds from long-term debt	-	78,800
Proceeds from Paycheck Protection Program loan	566,572	592,250
Proceeds from Economic Injury Disaster Loan	-	150,000
Proceeds from line of credit	500,000	-
Repayments of long-term debt	(191,508)	(136,505)
Endowment fund contributions	2,688,770	7,503,800
Net cash provided by financing activities	<u>3,563,834</u>	<u>8,188,345</u>
Net change in cash and cash equivalents	581,626	1,541,420
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,164,201</u>	<u>622,781</u>
End of year	<u>\$ 2,745,827</u>	<u>\$ 2,164,201</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 34,355</u>	<u>\$ 44,430</u>

There were no amounts paid for income taxes for the years ended December 31, 2021 and 2020.

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

**Grounds For Sculpture Inc. and Subsidiary**  
**Consolidated Statements of Functional Expenses**  
**Year Ended December 31, 2021**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Art and Education Programs</u>	<u>Auxiliary Operations</u>	<u>Program Services Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Services Total</u>	
Payroll	\$ 1,387,164	\$ 205,467	\$ 1,592,631	\$ 668,790	\$ 427,881	\$ 1,096,671	\$ 2,689,302
Payroll taxes and benefits	286,277	44,300	330,577	135,050	79,902	214,952	545,529
Cost of goods sold	-	94,130	94,130	-	-	-	94,130
Occupancy	939,597	162,482	1,102,079	94,040	111,079	205,119	1,307,198
Insurance	152,824	16,845	169,669	42,258	17,859	60,117	229,786
Outside artistic services	1,064,227	-	1,064,227	850	42,355	43,205	1,107,432
Outside fees and services	273,753	2,141	275,894	150,611	55,995	206,606	482,500
Office and administrative	6,416	1,170	7,586	3,438	33,827	37,265	44,851
Travel and meetings	1,039	66	1,105	2,420	319	2,739	3,844
Credit card and bank fees	106,962	11,162	118,124	2,685	28,369	31,054	149,178
Program materials	39,827	7,140	46,967	43	20,391	20,434	67,401
Advertising and marketing	96,891	21	96,912	-	186	186	97,098
Openings	-	-	-	-	38,457	38,457	38,457
Printing and publications	20,548	261	20,809	419	20,774	21,193	42,002
Computer support and maintenance	70,658	16,521	87,179	55,845	25,178	81,023	168,202
Supplies and equipment rental	50,762	29,336	80,098	9,496	102,562	112,058	192,156
Gifts, meals and hospitality	17,016	448	17,464	12,326	28,995	41,321	58,785
Education and training	9,862	648	10,510	12,662	13,738	26,400	36,910
Depreciation and amortization	408,141	71,700	479,841	74,909	83,080	157,989	637,830
Interest	-	-	-	34,355	-	34,355	34,355
	<u>\$ 4,931,964</u>	<u>\$ 663,838</u>	<u>\$ 5,595,802</u>	<u>\$ 1,300,197</u>	<u>\$ 1,130,947</u>	<u>\$ 2,431,144</u>	<u>\$ 8,026,946</u>

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, 2020**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Art and Education Programs</u>	<u>Auxiliary Operations</u>	<u>Program Services Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Services Total</u>	
Payroll	\$ 920,945	\$ 79,440	\$ 1,000,385	\$ 505,348	\$ 262,843	\$ 768,191	\$ 1,768,576
Payroll taxes and benefits	585,100	91,592	676,692	184,024	107,583	291,607	968,299
Cost of goods sold	-	34,614	34,614	-	-	-	34,614
Occupancy	670,959	143,410	814,369	103,555	80,536	184,091	998,460
Insurance	140,739	14,644	155,383	41,299	15,557	56,856	212,239
Outside artistic services	351,786	-	351,786	-	-	-	351,786
Outside fees and services	114,408	574	114,982	206,385	350	206,735	321,717
Office and administrative	1,487	497	1,984	3,276	12,808	16,084	18,068
Travel and meetings	6,950	370	7,320	740	1,431	2,171	9,491
Credit card and bank fees	38,166	1,509	39,675	897	16,579	17,476	57,151
Program materials	19,903	2,470	22,373	489	14,782	15,271	37,644
Advertising and marketing	67,625	42	67,667	-	309	309	67,976
Printing and publications	98,603	13	98,616	82	6,390	6,472	105,088
Computer support and maintenance	63,833	9,793	73,626	46,929	14,340	61,269	134,895
Supplies and equipment rental	17,141	1,070	18,211	11,460	856	12,316	30,527
Gifts, meals and hospitality	4,072	149	4,221	10,635	2,367	13,002	17,223
Education and training	8,466	226	8,692	8,588	10,206	18,794	27,486
Depreciation and amortization	373,690	61,773	435,463	94,089	71,713	165,802	601,265
Interest	-	-	-	44,430	-	44,430	44,430
	<u>\$ 3,483,873</u>	<u>\$ 442,186</u>	<u>\$ 3,926,059</u>	<u>\$ 1,262,226</u>	<u>\$ 618,650</u>	<u>\$ 1,880,876</u>	<u>\$ 5,806,935</u>

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

# Grounds For Sculpture, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2021 and 2020

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#### 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. Due to COVID-19 and the related government executive orders, Grounds For Sculpture, Inc. was temporarily closed from March 2020 to the middle of July 2020. Upon reopening, Grounds For Sculpture, Inc. was open for reduced hours and a reduced capacity taking into consideration the safety of its patrons and staff. All special events and other programs, in addition to the sale of merchandise, did not occur during these periods. In May 2021, the museum shop was reopened, capacity restrictions were lowered and select special events began to take place.

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 were 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 their 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.

# Grounds For Sculpture, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2021 and 2020

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#### 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.

#### 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 statements of activities and changes in net assets. Conditional contributions or 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 on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

#### 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 \$17,415 and \$9,787 were recorded for the years ended December 31, 2021 and 2020, 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 fair market value of the premise used is determined annually by an independent real estate expert using market comparisons for similar space. The consolidated financial statements include an in-kind contribution of \$102,000 included in occupancy expense for the years ended December 31, 2021 and 2020.

#### Other Revenues

Revenues without donor 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 service is provided, or the merchandise is sold. Admission revenues are recorded when the tickets are used, which is generally within a short time period as these tickets are normally sold on the day of attendance or in advance with a specific time and date of eligible use. Educational program fees are recorded as revenues on the date the program occurs. Merchandise sales are recorded as revenues upon transfer of the goods to the purchaser, with a very limited right of return. Rental revenues are recorded when the event has taken place. These revenues are used to offset program expenses as well as the cost of property and equipment acquisitions and management and general and development expenses. Educational program revenues, rental revenue and admission fees received in advance of their usage are classified as deferred program revenue in the consolidated statements of financial position.

**Grounds For Sculpture, Inc. and Subsidiary**  
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Membership fees, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total fees paid and the exchange element. The Organization recognizes the exchange portion of membership fees as revenue over the membership period (which is normally one year from date of purchase), and the associated contribution revenue when received. Membership fees related to the exchange element of the transaction 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, are stated at fair value. Investments in equity securities with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. 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 \$97,098 and \$67,976 for the years ended December 31, 2021 and 2020, respectively.

**Production Costs**

The Organization has established a policy that the production costs are capitalized at cost and are amortized over the estimated run of the production. In addition, if the production runs less than two weeks into the new fiscal year, all production costs are recognized in the current fiscal year. The Organization had one substantial production that had production costs that crossed over December 31, 2021.

**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.

## **Grounds For Sculpture, Inc. and Subsidiary Notes to Consolidated Financial Statements December 31, 2021 and 2020**

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### **Collection**

The collection consists 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. Collection items are acquired either through purchase or donations and are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions.

During 2021 and 2020, GFS did not purchase any artwork. When purchased, artwork is included in outside artistic services 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 in 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 2021 or 2020.

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, computer support and maintenance, and insurance. Occupancy is allocated based on a square footage basis, 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 an initial 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.

### **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.

**Grounds For Sculpture, Inc. and Subsidiary**  
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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 income tax 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, 2021 and 2020. Additionally, neither entity had any income tax related penalties or interest for the years covered by the consolidated financial statements.

**Accounting Pronouncements Adopted in the Current Year**

*Gifts In-Kind*

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted and implemented this pronouncement on January 1, 2021 using the prospective method of application. The adoption of ASU 2020-07 resulted in no material changes to the recognition of collections.

**Recent Accounting Pronouncements Issued Not Yet Effective**

*Leases*

In February 2016, the FASB issued the Accounting Standards Update (“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, 2021. Management does not expect this ASU to have a significant impact on the Organization’s consolidated financial statements.

**3. INVESTMENTS**

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Exchange traded funds	\$ 11,275,319	\$ 15,247,075	\$ 9,286,958	\$ 11,242,265
Common stock	110,512	232,025	104,918	208,106
Mutual funds	206,941	206,941	506,914	506,914
Pooled investments	283,604	465,296	286,630	426,936
	\$ 11,876,376	\$ 16,151,337	\$ 10,185,420	\$ 12,384,221



**Grounds For Sculpture, Inc. and Subsidiary**  
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Investment return 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:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 232,897	\$ 155,587
Realized gains	202,291	328,197
Unrealized gains	2,076,159	1,093,765
Investment fees	<u>(7,906)</u>	<u>(7,714)</u>
	<u>\$ 2,503,441</u>	<u>\$ 1,569,835</u>

**4. PREPAID UTILITY BENEFITS**

In 2019, GFS contracted with a company (“Vendor”) to construct a solar panel system on the roof of one of its buildings in order to produce electricity to be used by GFS in its operations. The parties executed a System Installation Agreement that is structured in the form of a power purchase agreement over a period of 20 years. The Vendor agreed to provide the production of electricity from the solar panel system over the 20-year period commencing in December 2019, the completion date of the project in exchange for an upfront payment of \$1,156,000. The benefits attributed to the project, including Solar Renewable Energy Credits (“SREC”) and reduced electricity costs, were passed along to GFS upon receipt of permission to operate by the utility. The agreement provides for a buyout of the solar panel system once the six-year period has elapsed at which time GFS would purchase the system for the fair value of the equipment less the unused prepaid utility benefits remaining at the time of the buyout. GFS amortizes the prepaid utility benefits over the six year period using estimated usage.

	<u>2021</u>	<u>2020</u>
Prepaid utility benefits at December 31	\$ 1,051,397	\$ 1,103,212
Less: Current portion	<u>(72,510)</u>	<u>(65,435)</u>
Prepaid utility benefits, net of current portion	<u>\$ 978,887</u>	<u>\$ 1,037,777</u>

Current and long-term portions of prepaid utility benefits are as follows:

2022	\$ 72,510
2023	58,742
2024	58,595
2025	58,449
2026	58,302
Thereafter	<u>744,799</u>
	<u>\$ 1,051,397</u>

**Grounds For Sculpture, Inc. and Subsidiary**  
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**5. PROPERTY AND EQUIPMENT**

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

<u>Description</u>	<u>Estimated Useful Life ( Years)</u>	<u>2021</u>	<u>2020</u>
Land	-	\$ 6,563,241	\$ 5,511,306
Buildings and site improvements	15-39	16,949,788	16,949,788
Furniture and equipment	5-15	1,273,828	1,112,747
Computer software and hardware	3-5	330,736	325,630
Vehicles	5	<u>131,827</u>	<u>131,827</u>
		25,249,420	24,031,298
Less: Accumulated depreciation		<u>(4,451,325)</u>	<u>(3,813,495)</u>
		<u>\$ 20,798,095</u>	<u>\$ 20,217,803</u>

Depreciation expense charged to operations amounted to \$637,830 and \$601,265 for the years ended December 31, 2021 and 2020, respectively.

**6. 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).

There has been no change in the valuation methodologies used for the years presented and there have been no transfers between levels. 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:

**Grounds For Sculpture, Inc. and Subsidiary**  
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	<b>2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Exchange traded funds				
Fixed income equities	\$ 2,758,747	\$ 2,758,747	\$ -	\$ -
International equities	1,409,301	1,409,301	-	-
Large Cap U.S. equities	9,555,342	9,555,342	-	-
Small/mid Cap U.S. equities	1,523,685	1,523,685	-	-
Equities				
Common stock	232,025	232,025	-	-
Mutual funds				
Bond funds	206,941	206,941	-	-
	<u>15,686,041</u>	<u>\$ 15,686,041</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (a)	<u>465,296</u>			
	<u>\$ 16,151,337</u>			
	<b>2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Exchange traded funds				
Fixed income equities	\$ 1,827,918	\$ 1,827,918	\$ -	\$ -
International equities	1,244,180	1,244,180	-	-
Large Cap U.S. equities	6,865,677	6,865,677	-	-
Small/mid Cap U.S. equities	1,304,490	1,304,490	-	-
Equities				
Common stock	208,106	208,106	-	-
Mutual funds				
Stock funds	506,914	506,914	-	-
	<u>11,957,285</u>	<u>\$ 11,957,285</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (a)	<u>426,936</u>			
	<u>\$ 12,384,221</u>			

(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. There are no unfunded commitments. The redemption requirements state that 80 percent is available after the month end close in which the request was made. The remaining 20 percent is available 90 days after the end of the month requested. The investment strategy of the community foundation is to be able to distribute 5 percent of its long-term assets' average fair value and to maintain purchasing power of the long-term assets through growth.

**Grounds For Sculpture, Inc. and Subsidiary**  
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**7. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2021 and 2020 financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 2,745,827	\$ 2,164,201
Prepaid and other assets	1,641,851	1,350,838
Contributions and grants receivable, current	182,340	88,535
Investments	<u>16,151,337</u>	<u>12,384,221</u>
Total financial assets	20,721,355	15,987,795
Less: Noncurrent and prepaid assets	1,525,611	1,195,946
Less: Restricted assets	<u>10,836,697</u>	<u>7,364,943</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 8,359,047</u>	<u>\$ 7,426,906</u>

GFS's policy is to have liquid resources on hand to meet general expenditures for a minimum period of four months. The Organization's cash flows have seasonal variations during the year attributable to admission fees and event fees. There is an additional approximately \$161,000 and \$149,000 in funds functioning as an endowment at December 2021 and 2020, respectively, not included above, which is available for general expenditure with Board approval.

**8. DEFERRED PROGRAM REVENUE**

GFS has deferred program revenue of \$224,248 and \$195,126 at December 31, 2021 and 2020, 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. Deferred program revenue at January 1, 2020 was \$226,237.

**9. LOAN PAYABLE**

During the year ended December 31, 2019, GFS entered into a loan for the installation of solar panels in the amount of \$1,200,000. The loan is for a 72 month period and carries an interest rate of 3.78%. Commencing July 2019 through October 2019, GFS was required to make interest only payments. Effective November 2019, GFS was required to make monthly payments of principal and interest in the amount of \$18,685. The loan originally matured on October 21, 2025, but due to COVID-19 the loan was postponed for three months during 2020. Due to this postponement, the maturity date was extended to January 19, 2026 and a single balloon payment of the unpaid principal and interest will be due on that date. On March 2, 2021 the loan was modified, decreasing the per annum interest rate to 2.75%. The loan is collateralized by the investments held by GFS that have neither a donor restriction nor board designation placed on them. The balance outstanding was \$840,098 and \$1,031,606 as of December 31, 2021 and 2020, respectively.

	<u>2021</u>	<u>2020</u>
Loan payable at December 31	\$ 840,098	\$ 1,031,606
Less: Current portion	<u>(197,000)</u>	<u>(187,968)</u>
Loan payable, net of current portion	<u>\$ 643,098</u>	<u>\$ 843,638</u>

**Grounds For Sculpture, Inc. and Subsidiary**  
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Maturities of the loan payable for the years ending December 31 are as follows:

2022	\$ 197,000
2023	202,564
2024	208,253
2025	214,166
2026	18,115
	<u>\$ 840,098</u>

**10. PAYCHECK PROTECTION PROGRAM LOAN**

On April 14, 2020, the Organization issued an unsecured promissory note (the "PPP Loan") for \$592,250 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). Additionally, on March 16, 2021, the Organization also issued a second unsecured promissory note for \$566,572 through the Paycheck Protection Program. The PPP loans are guaranteed by the SBA. As of December 31, 2021, the Organization applied for and has been notified that \$1,158,822 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in support in the accompanying consolidated statements of activities and changes in net assets. The PPP Loans were made through TD Bank, N.A. (the "Lender").

**11. SBA ECONOMIC INJURY DISASTER LOAN ("EIDL")**

On July 2, 2020, the Organization issued an unsecured promissory note (the "EIDL Loan") for \$150,000 through the Small Business Administration established under the Small Business Act and administered by the U.S. Small Business Administration ("SBA"). The EIDL Loan is collateralized by a secured interest in property owned by the Organization. The EIDL Loan was made through the SBA (the "Lender"), has a thirty-year term, bears interest at 2.75% per annum, and matures on July 2, 2052. Monthly principal and interest payments are deferred until 24 months after the date of the promissory note or July 2, 2022. The EIDL Loan may be prepaid at any time prior to maturity with no prepayment penalties.

Loan payable at December 31, 2021	\$ 150,000
Less: Current portion	<u>(1,493)</u>
Loan payable, net of current portion	<u>\$ 148,507</u>

Maturities of the EIDL Loan are as follows for the years ending December 31:

2022	\$ 1,493
2023	3,654
2024	3,756
2025	3,860
2026	3,968
Thereafter	<u>133,269</u>
	<u>\$ 150,000</u>

**Grounds For Sculpture, Inc. and Subsidiary**  
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**12. LINE OF CREDIT**

On March 15, 2021, the Organization entered into an unsecured loan (credit line) with The Atlantic Foundation, an unrelated party, for \$1,500,000, with an interest rate of 5%, compounded quarterly. The Organization is obligated to pay quarterly interest only payments, with the balance due on September 15, 2022. The outstanding balance as of December 31, 2021 was \$500,000.

**13. EMPLOYEE RETIREMENT PLAN**

All employees of the Organization 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, the Organization may make 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% of their salary or the amount contributed into the Plan. Discretionary annual employer contributions amounted to \$-0- and \$22,211 for the years ended December 31, 2021 and 2020, respectively.

**14. IN-KIND CONTRIBUTIONS**

In-kind contributions consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Occupancy	\$ 102,000	\$ 102,000
Horticulture	16,915	9,037
Program materials	500	750
	<u>\$ 119,415</u>	<u>\$ 111,787</u>

**15. 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, 2021 and 2020 as follows:

	<u>Hours</u>	<u>Value</u>
2021	5,328	\$ 54,262
2020	3,197	\$ 32,539

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**16. INCOME TAXES**

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

	<u>2021</u>	<u>2020</u>
Current tax expense		
Federal	\$ -	\$ -
State	<u>500</u>	<u>1,250</u>
	<u>500</u>	<u>1,250</u>
Deferred tax expense		
Federal	2,000	2,000
State	<u>100</u>	<u>700</u>
	<u>2,100</u>	<u>2,700</u>
	<u>\$ 2,600</u>	<u>\$ 3,950</u>

At December 31, 2021 and 2020, deferred income tax assets are attributable to net operating loss carryforwards. At December 31, 2021 and 2020, GFSL had federal net operating loss carryforwards of approximately \$469,000 and \$477,000, respectively, and state net operating loss carryforwards of approximately \$289,000 and \$299,000, respectively, available to offset future taxable income expiring at various dates from 2031 through 2036.

The remaining deferred tax asset associated with the net operating loss carryforwards amounted to \$124,800 and \$126,900 for the years ended December 31, 2021 and 2020, respectively.

Net operating loss carryforwards of approximately \$9,000 were used for both years ended December 31, 2021 and 2020. The net operating loss carryforwards are anticipated to be used prior to their expiration therefore, no valuation allowance has been established.

**17. OPERATING LEASES**

Equipment lease expense under non-cancelable operating leases for office equipment expiring through May 2025 amounted to \$7,932 and \$8,459 for the years ended December 31, 2021 and 2020, respectively.

Future minimum payments for the remaining lease terms for the years ending December 31 are as follows:

2022	\$ 7,842
2023	7,392
2024	7,392
2025	<u>3,696</u>
	<u>\$ 26,322</u>

For the years ended December 31, 2021 and 2020, 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% escalations, plus commissions of 5% for food sales and 10-15% 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.

## **Grounds For Sculpture, Inc. and Subsidiary Notes to Consolidated Financial Statements December 31, 2021 and 2020**

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On November 1, 2021, the above-mentioned operating lease was amended to reflect a different fee structure effective January 1, 2022 which expires on December 31, 2034, but which can still be terminated by either party with 120 days written notice. The terms of the agreement call for a fee structure of between 2% and 12.5% of gross revenues from restaurant sales, private dining revenue, cafés, and outside catering sales.

### **18. 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.

During the year ended December 31, 2020, The Atlantic Foundation, an unrelated party, granted funds to the Organization for the creation of the Seward and Cecelia Johnson Endowment. The terms of the grant established that payment to the Organization will be paid out in two separate installments. The first payment of \$5,000,000 was received during the year. The second payment is dependent upon the Organization raising an additional \$5,000,000 in matching funds by December 1, 2022. Under the terms of the agreement additional matching funds, may be distributed in future years. The funds received during the years ended December 31, 2021 and 2020 have been consolidated with the existing with donor restriction endowment funds.

#### **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, Inc.

#### **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 donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (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.



**Grounds For Sculpture, Inc. and Subsidiary**  
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**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:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, December 31, 2019</b>	\$ 3,619,722	\$ 340,980	\$ 3,960,702
Investment return	479,503	35,214	514,717
Contributions	-	7,503,800	7,503,800
Amounts appropriated for expenditure	<u>(5,100)</u>	<u>(9,100)</u>	<u>(14,200)</u>
<b>Endowment net assets, December 31, 2020</b>	4,094,125	7,870,894	11,965,019
Investment return	621,183	2,336,094	2,957,277
Contributions	-	2,688,770	2,688,770
Amounts appropriated for expenditure	<u>(5,100)</u>	<u>(345,400)</u>	<u>(350,500)</u>
<b>Endowment net assets, December 31, 2021</b>	<u>\$ 4,710,208</u>	<u>\$ 12,550,358</u>	<u>\$ 17,260,566</u>
<b>Investment by type of fund</b>			
Donor restricted "true" endowment			
Historical gift value	\$ -	\$ 10,493,242	\$ 10,493,242
Appreciation and cumulative unappropriated earnings	-	2,057,116	2,057,116
Board designated "funds" functioning as endowment	<u>4,710,208</u>	<u>-</u>	<u>4,710,208</u>
	<u>\$ 4,710,208</u>	<u>\$ 12,550,358</u>	<u>\$ 17,260,566</u>

**Grounds For Sculpture, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**19. NET ASSETS**

Net assets were comprised of the following at December 31:

Detail of Net Assets	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Grounds For Sculpture, Inc.						
Operating	\$ 26,711,109	\$ -	\$ 26,711,109	\$ 25,853,375	\$ -	\$ 25,853,375
Board designated endowment	160,561	-	160,561	149,162	-	149,162
Time restricted for future periods	-	40,000	40,000	-	5,000	5,000
Purpose restricted for programs	-	279,876	279,876	-	40,384	40,384
Endowment fund	-	<u>12,550,358</u>	<u>12,550,358</u>	-	<u>7,870,894</u>	<u>7,870,894</u>
	<u>26,871,670</u>	<u>12,870,234</u>	<u>39,741,904</u>	<u>26,002,537</u>	<u>7,916,278</u>	<u>33,918,815</u>
GFSL, Inc.						
Operating	<u>(340,983)</u>	<u>-</u>	<u>(340,983)</u>	<u>(347,548)</u>	<u>-</u>	<u>(347,548)</u>
	<u>\$ 26,530,687</u>	<u>\$ 12,870,234</u>	<u>\$ 39,400,921</u>	<u>\$ 25,654,989</u>	<u>\$ 7,916,278</u>	<u>\$ 33,571,267</u>

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

	2021	2020
Wellness Walks	\$ 7,500	\$ 7,500
Endowment fund distributions	336,100	-
Education	7,784	-
Charging stations	12,000	-
Horticulture	3,000	-
Exhibitions, conservation care, acquisitions	9,300	76,640
Time restricted for future periods	5,000	5,000
ADA project	-	60,000
	<u>\$ 380,684</u>	<u>\$ 149,140</u>

**20. 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 two donors that amounted to 61%, and two donors that amounted to 65% of total revenue for the years ended December 31, 2021 and 2020, respectively. GFS received contributions totaling approximately \$255,000 and \$195,000 from members of the Board of Trustees for the years ended December 31, 2021 and 2020, respectively.

**Grounds For Sculpture, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020**

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**21. RISKS AND UNCERTAINTIES**

**Risks Related to COVID-19**

Management continues to evaluate the effects of the COVID-19 matter, considering the facts and circumstances related to the impact of the virus on the Organization's industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position and, results of consolidated operations, the specific impact is not readily determinable as of the date of these consolidated financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**22. SUBSEQUENT EVENTS**

GFS has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of March 25, 2022, the date the consolidated financial statements were available for release. Based upon this evaluation, GFS has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the consolidated financial statements.

# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary (the "Organization" or "GFS"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements and have issued our report thereon dated March 25, 2022.

### Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

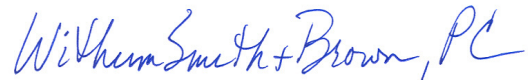
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

March 25, 2022

**Grounds For Sculpture, Inc. and Subsidiary  
 Supplementary Schedule of Expenditures of State Financial Assistance and Notes to  
 the Schedule of Expenditures of State Financial Assistance  
 December 31, 2021**

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<u>STATE GRANTOR / PROGRAM TITLE</u>	<u>AWARD NUMBER</u>	<u>AWARD PERIOD</u>	<u>CURRENT YEAR EXPENDITURES</u>
<u>State of New Jersey Department of State</u>			
New Jersey State Council on the Arts			
Coronavirus Relief Fund - CRF	C-2138X380055	6/1/2021 - 12/31/2021	\$ 504,000
General Operating Support	2205X010031	7/1/2021 - 6/30/2022	149,946
			<u>\$ 653,946</u>

**Note A - BASIS OF PRESENTATION**

The supplementary schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of Grounds For Sculpture, Inc. and Subsidiary under programs of the state government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of *Government Auditing Standards*. Because the Schedule presents only a selected portion of the operations of Grounds For Sculpture, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Grounds For Sculpture, Inc. and Subsidiary.

**Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

**Grounds For Sculpture, Inc. and Subsidiary  
Summary Schedule Prior Audit Findings  
Year Ended December 31, 2021**

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N/A – no audit in prior year

**Grounds For Sculpture, Inc. and Subsidiary  
Schedule of Findings and Reponses  
Year Ended December 31, 2021**

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**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary and were prepared in accordance with GAAP.
2. No significant deficiencies relating to the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary were disclosed during the audit.
4. No significant deficiencies relating to the grants are reported.
5. There were no significant deficiencies or material weaknesses found within the final report submitted to New Jersey State Council on the Arts.

**FINDINGS – FINANCIAL STATEMENT FINDINGS**

No findings to be reported.

**FINDINGS – STATE AWARD FINDINGS AND QUESTIONED COSTS**

No findings to be reported.



**SUPPLEMENTARY INFORMATION**

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statements of Financial Position**  
**December 31, 2021**

	<u>Grounds For Sculpture, Inc.</u>	<u>GFSL, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,742,074	\$ 3,753	\$ -	\$ 2,745,827
Investments	16,151,337	-	-	16,151,337
Contributions and grants receivable	182,340	-	-	182,340
Museum shop inventory	68,837	-	-	68,837
Prepaid expenses and other assets	315,501	-	-	315,501
Prepaid utility benefits	1,051,397	-	-	1,051,397
Prepaid production costs	274,950	-	-	274,950
Deferred tax asset	-	124,800	-	124,800
Property and equipment, net	20,798,077	18	-	20,798,095
Intercompany (payable) receivable	(78,163)	78,163	-	-
Investment in subsidiary	520,000	-	(520,000)	-
	<u>42,026,350</u>	<u>206,734</u>	<u>(520,000)</u>	<u>41,713,084</u>
<b>Total assets</b>	<b>\$ 42,026,350</b>	<b>\$ 206,734</b>	<b>\$ (520,000)</b>	<b>\$ 41,713,084</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 370,826	\$ 2,403	\$ -	\$ 373,229
Accrued expenses	224,588	-	-	224,588
Deferred program revenue	198,934	25,314	-	224,248
Loan payable	840,098	-	-	840,098
Line of credit	500,000	-	-	500,000
Paycheck Protection Program loan	-	-	-	-
Emergency Injury Disaster Loan	150,000	-	-	150,000
	<u>2,284,446</u>	<u>27,717</u>	<u>-</u>	<u>2,312,163</u>
<b>Total liabilities</b>	<b>2,284,446</b>	<b>27,717</b>	<b>-</b>	<b>2,312,163</b>
<b>Net assets</b>				
Capital contribution	-	520,000	(520,000)	-
Without donor restrictions	26,871,670	(340,983)	-	26,530,687
With donor restrictions	12,870,234	-	-	12,870,234
	<u>39,741,904</u>	<u>179,017</u>	<u>(520,000)</u>	<u>39,400,921</u>
<b>Total net assets</b>	<b>39,741,904</b>	<b>179,017</b>	<b>(520,000)</b>	<b>39,400,921</b>
<b>Total liabilities and net assets</b>	<b>\$ 42,026,350</b>	<b>\$ 206,734</b>	<b>\$ (520,000)</b>	<b>\$ 41,713,084</b>

See Independent Auditor's Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statements of Financial Position**  
**December 31, 2020**

	<u>Grounds For Sculpture, Inc.</u>	<u>GFSL, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,162,299	\$ 1,902	\$ -	\$ 2,164,201
Investments	12,384,221	-	-	12,384,221
Contributions and grants receivable	88,535	-	-	88,535
Museum shop inventory	70,263	-	-	70,263
Prepaid expenses and other assets	247,626	-	-	247,626
Prepaid utility benefits	1,103,212	-	-	1,103,212
Production costs	-	-	-	-
Deferred tax asset	-	126,900	-	126,900
Property and equipment, net	20,217,250	553	-	20,217,803
Intercompany (payable) receivable	(81,163)	81,163	-	-
Investment in subsidiary	<u>520,000</u>	<u>-</u>	<u>(520,000)</u>	<u>-</u>
 Total assets	 <u>\$ 36,712,243</u>	 <u>\$ 210,518</u>	 <u>\$ (520,000)</u>	 <u>\$ 36,402,761</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 409,237	\$ 770	\$ -	\$ 410,007
Accrued expenses	452,505	-	-	452,505
Deferred program revenue	157,830	37,296	-	195,126
Loan payable	1,031,606	-	-	1,031,606
Line of credit	-	-	-	-
Paycheck Protection Program loan	592,250	-	-	592,250
Emergency Injury Disaster Loan	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Total liabilities	<u>2,793,428</u>	<u>38,066</u>	<u>-</u>	<u>2,831,494</u>
<b>Net assets</b>				
Capital contribution	-	520,000	(520,000)	-
Without donor restrictions	26,002,537	(347,548)	-	25,654,989
With donor restrictions	<u>7,916,278</u>	<u>-</u>	<u>-</u>	<u>7,916,278</u>
Total net assets	<u>33,918,815</u>	<u>172,452</u>	<u>(520,000)</u>	<u>33,571,267</u>
 Total liabilities and net assets	 <u>\$ 36,712,243</u>	 <u>\$ 210,518</u>	 <u>\$ (520,000)</u>	 <u>\$ 36,402,761</u>

See Independent Auditor's Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statements of Activities and Changes in Net Assets**  
**Year Ended December 31, 2021**

	<u>Grounds For Sculpture, Inc.</u>	<u>GFSL, Inc.</u>	<u>Eliminations</u>	<u>Total Without Donor Restrictions</u>	<u>Grounds For Sculpture, Inc. With Donor Restrictions</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>					
<b>Support and revenue</b>						
Support						
Contributions and grants	\$ 2,164,173	\$ -	\$ -	\$ 2,164,173	\$ 2,998,546	\$ 5,162,719
In-kind contributions	119,415	-	-	119,415	-	119,415
Fundraising events	11,590	-	-	11,590	-	11,590
PPP Loan forgiveness	1,158,822	-	-	1,158,822	-	1,158,822
	<u>3,454,000</u>	<u>-</u>	<u>-</u>	<u>3,454,000</u>	<u>2,998,546</u>	<u>6,452,546</u>
Revenue						
Admission fees	3,078,306	-	-	3,078,306	-	3,078,306
Membership fees	803,966	-	-	803,966	-	803,966
Education and event program fees	88,385	-	-	88,385	-	88,385
Food services	90,616	9,700	-	100,316	-	100,316
Museum shop sales	230,006	-	-	230,006	-	230,006
Event rentals	206,686	-	-	206,686	-	206,686
Rental income	251,808	-	-	251,808	-	251,808
SREC revenue	143,740	-	-	143,740	-	143,740
Investment return	167,347	-	-	167,347	2,336,094	2,503,441
	<u>5,060,860</u>	<u>9,700</u>	<u>-</u>	<u>5,070,560</u>	<u>2,336,094</u>	<u>7,406,654</u>
Net assets released from restrictions	380,684	-	-	380,684	(380,684)	-
	<u>8,895,544</u>	<u>9,700</u>	<u>-</u>	<u>8,905,244</u>	<u>4,953,956</u>	<u>13,859,200</u>
<b>Expenses</b>						
Program services						
Art and education programs	4,931,964	-	-	4,931,964	-	4,931,964
Auxiliary operations	663,303	535	-	663,838	-	663,838
Supporting services						
Management and general	1,300,197	-	-	1,300,197	-	1,300,197
Fundraising	1,130,947	-	-	1,130,947	-	1,130,947
	<u>8,026,411</u>	<u>535</u>	<u>-</u>	<u>8,026,946</u>	<u>-</u>	<u>8,026,946</u>
Changes in net assets before provision for income taxes	869,133	9,165	-	878,298	4,953,956	5,832,254
<b>Provision for income taxes</b>	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
<b>Changes in net assets</b>	869,133	6,565	-	875,698	4,953,956	5,829,654
<b>Net assets</b>						
Beginning of year	26,002,537	(347,548)	-	25,654,989	7,916,278	33,571,267
End of year	<u>\$ 26,871,670</u>	<u>\$ (340,983)</u>	<u>\$ -</u>	<u>\$ 26,530,687</u>	<u>\$ 12,870,234</u>	<u>\$ 39,400,921</u>

See Independent Auditor's Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2020**

	<u>Grounds For Sculpture, Inc.</u>	<u>GFSL, Inc.</u>	<u>Eliminations</u>	<u>Total Without Donor Restrictions</u>	<u>Grounds For Sculpture, Inc. With Donor Restrictions</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>					
<b>Support and revenue</b>						
Support						
Contributions and grants	\$ 1,843,041	\$ -	\$ -	\$ 1,843,041	\$ 7,541,584	\$ 9,384,625
In-kind contributions	111,787	-	-	111,787	-	111,787
	<u>1,954,828</u>	<u>-</u>	<u>-</u>	<u>1,954,828</u>	<u>7,541,584</u>	<u>9,496,412</u>
Revenue						
Admission fees	1,177,529	-	-	1,177,529	-	1,177,529
Membership fees	526,907	-	-	526,907	-	526,907
Education and event program fees	15,118	-	-	15,118	-	15,118
Food services	-	14,300	-	14,300	-	14,300
Museum shop sales	21,352	-	-	21,352	-	21,352
Event rentals	11,959	-	-	11,959	-	11,959
Rental income	244,476	-	-	244,476	-	244,476
SREC revenue	162,600	-	-	162,600	-	162,600
Investment return	1,534,618	3	-	1,534,621	35,214	1,569,835
	<u>3,694,559</u>	<u>14,303</u>	<u>-</u>	<u>3,708,862</u>	<u>35,214</u>	<u>3,744,076</u>
Net assets released from restrictions	149,140	-	-	149,140	(149,140)	-
	<u>5,798,527</u>	<u>14,303</u>	<u>-</u>	<u>5,812,830</u>	<u>7,427,658</u>	<u>13,240,488</u>
<b>Expenses</b>						
Program services						
Art and education programs	3,483,873	-	-	3,483,873	-	3,483,873
Auxiliary operations	437,436	4,750	-	442,186	-	442,186
Supporting services						
Management and general	1,262,226	-	-	1,262,226	-	1,262,226
Fundraising	618,650	-	-	618,650	-	618,650
	<u>5,802,185</u>	<u>4,750</u>	<u>-</u>	<u>5,806,935</u>	<u>-</u>	<u>5,806,935</u>
Changes in net assets before provision for income taxes	(3,658)	9,553	-	5,895	7,427,658	7,433,553
<b>Provision from income taxes</b>	<u>-</u>	<u>3,950</u>	<u>-</u>	<u>3,950</u>	<u>-</u>	<u>3,950</u>
<b>Changes in net assets</b>	(3,658)	5,603	-	1,945	7,427,658	7,429,603
<b>Net assets</b>						
Beginning of year	26,006,195	(353,151)	-	25,653,044	488,620	26,141,664
End of year	<u>\$ 26,002,537</u>	<u>\$ (347,548)</u>	<u>\$ -</u>	<u>\$ 25,654,989</u>	<u>\$ 7,916,278</u>	<u>\$ 33,571,267</u>

See Independent Auditor's Report.