



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

GROUND FOR SCULPTURE, INC.
Financial Statements
December 31, 2023 and 2022
With Independent Auditor's Reports

Grounds For Sculpture, Inc.
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December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Grounds For Sculpture, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grounds For Sculpture, Inc. (the "Organization" or "GFS"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grounds For Sculpture, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its 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 ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements as a whole. The accompanying supplemental schedule of expenditures of state financial assistance is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 April 11, 2024 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".

April 11, 2024

Grounds For Sculpture, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,200,824	\$ 1,168,924
Investments	33,870,898	14,898,007
Contributions and grants receivable, net	4,018,389	18,765,323
Unconditional promise to give, donated facilities	315,376	-
Accounts receivable	229,969	278,076
Museum shop inventory	39,349	55,684
Prepaid expenses	325,507	155,627
Prepaid utility benefits	943,956	996,145
Prepaid production costs, net	29,153	272,566
Property and equipment, net	20,272,665	20,898,506
Collection (Note 2)	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 61,246,086</u>	<u>\$ 57,488,858</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 314,856	\$ 409,444
Accrued expenses	440,575	271,587
Deferred program revenue	238,614	213,508
Loan payable	440,535	643,099
Line of credit	950,000	950,000
Economic Injury Disaster Loan	147,437	150,000
	<u> </u>	<u> </u>
Total liabilities	<u>2,532,017</u>	<u>2,637,638</u>
Net assets		
Without donor restrictions	25,373,047	24,652,846
With donor restrictions	<u>33,341,022</u>	<u>30,198,374</u>
Total net assets	<u>58,714,069</u>	<u>54,851,220</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 61,246,086</u>	<u>\$ 57,488,858</u>

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

Grounds For Sculpture, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
Contributions of cash and other financial assets	\$ 1,726,376	\$ (140,126)	\$ 1,586,250
Contributions of nonfinancial assets	421,360	394,219	815,579
Fundraising events	32,561	-	32,561
	<u>2,180,297</u>	<u>254,093</u>	<u>2,434,390</u>
Revenue			
Admission fees	4,268,758	-	4,268,758
Membership fees	873,748	-	873,748
Employee retention tax credit income	372,893	-	372,893
Education and event program fees	286,140	-	286,140
Museum shop sales	505,528	-	505,528
Event rentals	266,975	-	266,975
Food service fees	714,969	-	714,969
SREC revenue	152,526	-	152,526
Investment return, net	643,541	3,637,275	4,280,816
	<u>8,085,078</u>	<u>3,637,275</u>	<u>11,722,353</u>
Net assets released from restrictions	748,720	(748,720)	-
	<u>11,014,095</u>	<u>3,142,648</u>	<u>14,156,743</u>
Expenses			
Program services			
Art and education programs	6,288,226	-	6,288,226
Auxiliary operations	1,167,931	-	1,167,931
Supporting services			
Management and general	1,550,648	-	1,550,648
Fundraising	1,287,089	-	1,287,089
	<u>10,293,894</u>	<u>-</u>	<u>10,293,894</u>
Changes in net assets	720,201	3,142,648	3,862,849
Net assets			
Beginning of year	<u>24,652,846</u>	<u>30,198,374</u>	<u>54,851,220</u>
End of year	<u>\$ 25,373,047</u>	<u>\$ 33,341,022</u>	<u>\$ 58,714,069</u>

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

Grounds For Sculpture, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Support			
Contributions of cash and other financial assets	\$ 1,932,279	\$ 19,826,759	\$ 21,759,038
Contributions of nonfinancial assets	149,235	-	149,235
Fundraising events	27,910	-	27,910
	<u>2,109,424</u>	<u>19,826,759</u>	<u>21,936,183</u>
Revenue			
Admission fees	3,912,080	-	3,912,080
Membership fees	927,417	-	927,417
Education and event program fees	242,220	-	242,220
Museum shop sales	518,717	-	518,717
Event rentals	310,335	-	310,335
Food service fees	733,524	-	733,524
SREC revenue	161,145	-	161,145
Investment return, net	(791,425)	(1,879,283)	(2,670,708)
	<u>6,014,013</u>	<u>(1,879,283)</u>	<u>4,134,730</u>
Net assets released from restrictions	<u>619,336</u>	<u>(619,336)</u>	<u>-</u>
	<u>8,742,773</u>	<u>17,328,140</u>	<u>26,070,913</u>
Expenses			
Program services			
Art and education programs	6,942,500	-	6,942,500
Auxiliary operations	1,062,848	-	1,062,848
Supporting services			
Management and general	1,327,365	-	1,327,365
Fundraising	1,162,601	-	1,162,601
	<u>10,495,314</u>	<u>-</u>	<u>10,495,314</u>
Changes in net assets before provision for income taxes	(1,752,541)	17,328,140	15,575,599
Provision for income taxes	<u>125,300</u>	<u>-</u>	<u>125,300</u>
Changes in net assets	(1,877,841)	17,328,140	15,450,299
Net assets			
Beginning of year	<u>26,530,687</u>	<u>12,870,234</u>	<u>39,400,921</u>
End of year	<u>\$ 24,652,846</u>	<u>\$ 30,198,374</u>	<u>\$ 54,851,220</u>

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

Grounds For Sculpture, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ 3,862,849	\$ 15,450,299
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	700,616	678,486
Deferred income tax	-	124,800
Realized and unrealized (gain) loss	(3,499,499)	2,941,742
Endowment fund contributions	(14,868,308)	(1,041,391)
Unconditional promise to give - donated facilities	(315,376)	-
Bad debt	-	5,000
Write off of subsidiary	-	(520,000)
Changes in assets and liabilities		
Contributions and grants receivable	14,746,934	(18,582,983)
Accounts receivable	48,107	(112,336)
Museum shop inventory	16,335	13,153
Prepaid expenses	(169,880)	(10,866)
Prepaid utility benefits	52,189	55,252
Prepaid production costs	243,413	2,384
Accounts payable	(94,588)	36,215
Accrued expenses	168,988	46,999
Deferred program revenue	25,106	(10,740)
Net cash provided by (used in) operating activities	<u>916,886</u>	<u>(923,986)</u>
Investing activities		
Purchase of investments	(33,934,478)	(5,762,671)
Proceeds from sale of investments	18,461,086	4,594,259
Purchase of property and equipment	(74,775)	(778,897)
Net cash used in investing activities	<u>(15,548,167)</u>	<u>(1,947,309)</u>
Financing activities		
Proceeds from line of credit	-	450,000
Repayments of long-term debt	(205,127)	(196,999)
Endowment fund contributions	14,868,308	1,041,391
Net cash provided by financing activities	<u>14,663,181</u>	<u>1,294,392</u>
Net change in cash and cash equivalents	31,900	(1,576,903)
Cash and cash equivalents		
Beginning of year	<u>1,168,924</u>	<u>2,745,827</u>
End of year	<u>\$ 1,200,824</u>	<u>\$ 1,168,924</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 26,679</u>	<u>\$ 33,048</u>
Cash paid during the year for taxes	<u>\$ -</u>	<u>\$ 500</u>

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

Grounds For Sculpture, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Supporting Services			Total
	Art and Education Programs	Auxiliary Operations	Total Program Services	Management and General	Fundraising	Supporting Services Total	
Payroll	\$ 2,294,984	\$ 435,341	\$ 2,730,325	\$ 656,597	\$ 571,856	\$ 1,228,453	\$ 3,958,778
Payroll taxes and benefits	495,009	101,698	596,707	167,663	132,737	300,400	897,107
Cost of goods sold	-	230,399	230,399	-	-	-	230,399
Occupancy	990,186	189,873	1,180,059	38,672	134,288	172,960	1,353,019
Insurance	166,776	19,177	185,953	54,540	20,746	75,286	261,239
Outside artistic services	1,067,553	10	1,067,563	-	4,862	4,862	1,072,425
Outside fees and services	123,330	632	123,962	372,110	36,238	408,348	532,310
Office and administrative	33,416	4,392	37,808	6,449	77,743	84,192	122,000
Travel and meetings	18,504	766	19,270	5,261	4,962	10,223	29,493
Credit card and bank fees	145,693	18,436	164,129	3,727	31,521	35,248	199,377
Program materials	63,755	11,763	75,518	1,065	54,912	55,977	131,495
Advertising and marketing	237,557	11,623	249,180	-	5,063	5,063	254,243
Openings	1,246	-	1,246	-	45,459	45,459	46,705
Printing and publications	19,204	1,292	20,496	1,912	15,074	16,986	37,482
Computer support and maintenance	86,278	26,382	112,660	41,151	28,389	69,540	182,200
Supplies and equipment rental	27,720	27,360	55,080	11,344	810	12,154	67,234
Gifts, meals and hospitality	50,695	477	51,172	23,884	10,929	34,813	85,985
Education and training	26,149	1,128	27,277	25,757	14,885	40,642	67,919
Depreciation and amortization	440,171	87,182	527,353	76,648	96,615	173,263	700,616
Interest	-	-	-	63,868	-	63,868	63,868
	<u>\$ 6,288,226</u>	<u>\$ 1,167,931</u>	<u>\$ 7,456,157</u>	<u>\$ 1,550,648</u>	<u>\$ 1,287,089</u>	<u>\$ 2,837,737</u>	<u>\$ 10,293,894</u>

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

Grounds For Sculpture, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services			Total
	Art and Education Programs	Auxiliary Operations	Total Program Services	Management and General	Fundraising	Supporting Services Total	
Payroll	\$ 2,096,374	\$ 343,328	\$ 2,439,702	\$ 618,709	\$ 508,090	\$ 1,126,799	\$ 3,566,501
Payroll taxes and benefits	484,999	92,276	577,275	150,136	124,593	274,729	852,004
Cost of goods sold	-	247,555	247,555	-	-	-	247,555
Occupancy	1,029,242	172,168	1,201,410	117,245	127,891	245,136	1,446,546
Insurance	159,840	18,057	177,897	48,539	19,148	67,687	245,584
Outside artistic services	1,786,446	-	1,786,446	-	6,904	6,904	1,793,350
Outside fees and services	195,305	624	195,929	144,193	34,770	178,963	374,892
Office and administrative	10,041	4,603	14,644	5,950	77,110	83,060	97,704
Travel and meetings	19,403	734	20,137	13,448	3,120	16,568	36,705
Credit card and bank fees	136,741	21,282	158,023	962	31,849	32,811	190,834
Program materials	62,341	28,053	90,394	2,202	28,634	30,836	121,230
Advertising and marketing	245,759	21	245,780	243	1,665	1,908	247,688
Openings	-	-	-	-	33,626	33,626	33,626
Printing and publications	86,028	-	86,028	575	15,209	15,784	101,812
Computer support and maintenance	104,318	23,065	127,383	31,462	26,971	58,433	185,816
Supplies and equipment rental	32,931	27,644	60,575	10,579	1,993	12,572	73,147
Gifts, meals and hospitality	47,204	441	47,645	27,515	11,181	38,696	86,341
Education and training	18,940	1,009	19,949	22,368	14,168	36,536	56,485
Depreciation and amortization	426,588	81,988	508,576	79,231	90,679	169,910	678,486
Interest	-	-	-	54,008	-	54,008	54,008
Bad debt	-	-	-	-	5,000	5,000	5,000
	<u>\$ 6,942,500</u>	<u>\$ 1,062,848</u>	<u>\$ 8,005,348</u>	<u>\$ 1,327,365</u>	<u>\$ 1,162,601</u>	<u>\$ 2,489,966</u>	<u>\$ 10,495,314</u>

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

Grounds For Sculpture, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

1. ORGANIZATION AND PURPOSE

Grounds For Sculpture, Inc. (“GFS”) 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, GFS 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, fundraising events, admissions income, and income from programs operated to promote GFS’s purpose.

GFS seeks to be inclusive, reflective, and responsive to the dynamic world we live in. The potential power of this aspiration has moved our board and staff to update our value system which includes a deep commitment to diversity and inclusion at all levels. Effective 2021, GFS had actively begun reaching individuals, families and groups who might otherwise not be served by its offerings.

GFSL, Inc. (“GFSL”) was a wholly owned for profit subsidiary of GFS that operated a restaurant, café and catering service for patrons of the park through a contract with an outside foodservice management company. Under the terms of the 10-year agreement, fees paid were based on sales volume and the agreement could be cancelled by either party with notice. Significant sources of revenue for GFSL related to food service fees paid as part of the previously noted contract. As of August 11, 2022, GFSL was dissolved as a corporation in the State of New Jersey. Effective for 2022 all contractual terms of the original agreement with the outside company have been assigned to GFS and the contract was extended until December 31, 2034.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The assets, liabilities, net assets, revenues, and expenses of Grounds For Sculpture, Inc. and its former subsidiary GFSL, Inc. were consolidated as Grounds For Sculpture, Inc. and Subsidiary (the Organization” or “GFS”), until GFSL, Inc’s dissolution on August 11, 2022, as noted in Note 1. All significant intercompany transactions were eliminated in consolidation.

Basis of Presentation

The financial statements of Grounds For Sculpture, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require Grounds For Sculpture, Inc. 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. 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.
Notes to Financial Statements
December 31, 2023 and 2022

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 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.

Contributed Nonfinancial Assets

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. Contributed nonfinancial asset donations of \$27,141 and \$25,235 were recorded for the years ended December 31, 2023 and 2022, respectively.

Other Revenues

Revenues without donor restrictions are obtained from the admission fees, food service, event rentals, sale of merchandise, fundraising 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 sold, which is generally within a short time period as these tickets are normally used on the day of attendance or in advance with a specific time and date of eligible use. In addition, tickets purchased are nonrefundable upon purchase. 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 statements of financial position.

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 statements of financial position.

Grounds For Sculpture, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Food Service Fees

Food service fees are received under an operating agreement for the use of restaurant facilities and equipment, which expires in December 2034. The agreement contains an option whereby either party can terminate with 120 days written notice. The agreement calls for a base fee of 2%, and 12.5% of gross revenues from restaurant sales, private dining revenue, cafés, and outside catering sales. The food service income is received monthly under the terms of the agreement.

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 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 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 \$254,243 and \$247,688 for the years ended December 31, 2023 and 2022, respectively.

Production Costs

The Organization has established a policy that 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, 2023, and one substantial production that had production costs that crossed over December 31, 2022. For the years ended December 31, 2023 and 2022, net production costs were \$29,153 and \$272,566, 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.

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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.

GFS purchased artwork, which is included in outside artistic services in the statements of functional expenses, in the amount of \$-0- and \$15,582 during the years ended December 31, 2023 and 2022, respectively. Contributions of collection items are not recognized in the statements of activities and changes in net assets. Proceeds from deaccessions or insurance recoveries are reflected in the 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 2023 or 2022.

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 statements of activities and changes in net assets. Expenses are directly charged to the program activities other than those that benefit multiple functions. The 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 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 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 financial statements do not reflect a provision for federal income taxes related to Grounds For Sculpture, Inc.

There were no uncertain tax positions at December 31, 2023 and 2022. Additionally, GFS did not have any income tax related penalties or interest for the years covered by the financial statements.

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Accounting Pronouncements Adopted in the Current Year

Current Expected Credit Losses (CECL)

In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update amending the accounting for credit losses on financial instruments. This update replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, and other financial instruments recorded at amortized cost. The Organization adopted the new standard effective January 1, 2023, using the modified retrospective approach. The adoption of this ASU did not have a material impact on the financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give as follows at December 31:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 4,878,797	\$ 19,728,666
Less: Discount to present value at 5%	<u>(860,408)</u>	<u>(963,343)</u>
Contributions receivable, net	<u>\$ 4,018,389</u>	<u>\$ 18,765,323</u>

Contributions are expected to be collected as follows during the years ending December 31:

2024	\$ 804,968
2025	552,714
2026	548,000
2027	503,000
2028	-
Thereafter	<u>2,470,115</u>
	<u>\$ 4,878,797</u>

4. UNCONDITIONAL PROMISES TO GIVE, DONATED FACILITIES

Grounds for Sculpture, Inc. has the use of office and education space under a lease which expires in December 2027. Fix rentals of \$1 are due annually. The value of the donated facilities of \$394,219 has been recorded as an unconditional promise to give and contribution of non-financial asset revenue in the statement of activities in 2023 and will be amortized over the lease term. The value of the unconditional promise to give as of December 31, 2023 is \$315,376. Future amortization of the unconditional promise to give is: 2024 - \$78,843; 2025 - \$78,843; 2026 - \$78,843 and 2027 - \$78,843.

5. 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, 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.

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

	<u>2023</u>	<u>2022</u>
Prepaid utility benefits at December 31	\$ 943,956	\$ 996,145
Less: Current portion	<u>(82,406)</u>	<u>(76,000)</u>
Prepaid utility benefits, net of current portion	<u>\$ 861,550</u>	<u>\$ 920,145</u>

Prepaid utility benefits are expected to be realized as follows:

2024	\$ 82,406
2025	58,449
2026	58,302
2027	58,157
2028	58,011
Thereafter	<u>628,631</u>
	<u>\$ 943,956</u>

6. RECURRING FAIR VALUE MEASUREMENTS

GFS has provided fair value disclosure information for relevant assets in these financial statements. For applicable assets subject to this pronouncement, GFS will value such assets 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 using observable measurement criteria, including quoted market prices of similar assets 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 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:

	<u>2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds				
Fixed income equities	\$ 6,185,006	\$ 6,185,006	\$ -	\$ -
International equities	3,197,448	3,197,448	-	-
Large Cap U.S. equities	19,252,366	19,252,366	-	-
Small/mid Cap U.S. equities	3,344,744	3,344,744	-	-
Common stock	263,290	263,290	-	-
Mutual funds - bond funds	<u>1,205,967</u>	<u>1,205,967</u>	-	-
	33,448,821	<u>\$ 33,448,821</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (a)	<u>422,077</u>			
	<u>\$ 33,870,898</u>			

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	2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds				
Fixed income equities	\$ 2,915,348	\$ 2,915,348	\$ -	\$ -
International equities	1,248,163	1,248,163	-	-
Large Cap U.S. equities	8,157,212	8,157,212	-	-
Small/mid Cap U.S. equities	1,327,953	1,327,953	-	-
Common stock	245,828	245,828	-	-
Mutual funds - stock funds	<u>587,000</u>	<u>587,000</u>	-	-
	14,481,504	<u>\$ 14,481,504</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (a)	<u>416,503</u>			
	<u>\$ 14,898,007</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% is available after the month end close in which the request was made. The remaining 20% 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% of its long-term assets' average fair value and to maintain purchasing power of the long-term assets through growth.

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

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 789,558	\$ 279,298
Realized gains (loss)	177,484	(133,660)
Unrealized gains (loss)	3,322,015	(2,808,082)
Investment fees	<u>(8,241)</u>	<u>(8,264)</u>
	<u>\$ 4,280,816</u>	<u>\$ (2,670,708)</u>

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7. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 1,200,824	\$ 1,168,924
Contributions and grants receivable	4,018,389	18,765,323
Accounts receivable	229,969	278,076
Investments	<u>33,870,898</u>	<u>14,898,007</u>
Total financial assets	39,320,080	35,110,330
Add: Unused line of credit availability	550,000	550,000
Less: Net assets with donor restrictions	33,735,241	29,719,012
Less: Board restricted endowments	<u>3,314,201</u>	<u>3,741,855</u>
Total financial assets to meet cash needs for general expenditures within one year	<u>\$ 2,820,638</u>	<u>\$ 2,199,463</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. The amounts shown above in board restricted endowments are available for general expenditure with Board approval.

8. PROPERTY AND EQUIPMENT

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

<u>Description</u>	<u>Estimated Useful Life (Years)</u>	<u>2023</u>	<u>2022</u>
Land	-	\$ 6,676,906	\$ 6,676,906
Buildings and site improvements	15-39	16,958,215	16,958,215
Furniture and equipment	5-15	1,697,696	1,792,452
Computer software and hardware	3-5	210,386	329,190
Vehicles	5	<u>126,471</u>	<u>156,905</u>
		25,669,674	25,913,668
Less: Accumulated depreciation		<u>(5,397,009)</u>	<u>(5,015,162)</u>
		<u>\$ 20,272,665</u>	<u>\$ 20,898,506</u>

Depreciation expense charged to operations amounted to \$700,616 and \$678,486 for the years ended December 31, 2023 and 2022, respectively.

9. DEFERRED PROGRAM REVENUE

GFS has deferred program revenue of \$238,614 and \$213,508 at December 31, 2023 and 2022, 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, 2022 was \$198,934.

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10. 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 \$440,535 and \$643,099 as of December 31, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
Loan payable at December 31	\$ 440,535	\$ 643,099
Less: Current portion	<u>(208,253)</u>	<u>(202,564)</u>
Loan payable, net of current portion	<u>\$ 232,282</u>	<u>\$ 440,535</u>

Maturities of the loan payable for the years ending December 31 are as follows:

2024	\$ 208,253
2025	214,166
2026	<u>18,116</u>
	<u>\$ 440,535</u>

11. LINE OF CREDIT

On March 15, 2021, the Organization entered into an unsecured loan (credit line) with The Atlantic Foundation for \$1,500,000, with an interest rate of 5%, compounded quarterly. The Organization was obligated to pay quarterly interest only payments, with the balance due on September 15, 2022. The outstanding balance as of December 31, 2023 and 2022 was \$950,000.

On August 25, 2022, the above-mentioned loan was amended to reflect a new maturity date of September 15, 2023. The principal amount of the loan and any accrued and unpaid interest has been amended to be due and payable as follows: 1) one-third of the outstanding principal amount is due on March 31, 2023, 2) one-third of the outstanding principal amount is due on June 30, 2023, and 3) one-third of the outstanding principal amount and any accrued and unpaid interest is due on September 15, 2023.

On December 2, 2022, an additional loan modification was made by The Atlantic Foundation deferring the principal repayments to one-third due on March 31, June 30 and September 15, 2026 with forgiveness of interest from September 15, 2022 through September 15, 2026.

12. 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, 2051. Monthly principal and interest payments are deferred until 30 months after the date of the promissory note or July 2, 2023.

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The EIDL Loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, the Organization has reflected the EIDL Loan as short and long-term debt in the accompanying statement of financial position.

	<u>2023</u>	<u>2022</u>
Loan payable at December 31,	\$ 147,437	\$ 150,000
Less: Current portion	<u>(3,612)</u>	<u>-</u>
Loan payable, net of current portion	<u>\$ 143,825</u>	<u>\$ 150,000</u>

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

2024	\$ 3,612
2025	3,713
2026	3,816
2027	3,922
2028	4,032
Thereafter	<u>128,342</u>
	<u>\$ 147,437</u>

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. Effective January 1, 2022, employees that are participating in the Plan are eligible for a maximum annual contribution of up to 3% of their salary. A 2% profit sharing contribution is also available to employees who meet all plan eligibility requirements and are employed as of December 31. Discretionary annual employer contributions amounted to \$125,240 and \$88,945 for the years ended December 31, 2023 and 2022, respectively.

14. CONTRIBUTED NONFINANCIAL ASSETS

The Organization received contributed nonfinancial assets comprised of services received during the years ended December 31, 2023 and 2022 as follows:

<u>Nonfinancial Contributions Category</u>	<u>Type of Contribution</u>	<u>Valuation</u>	<u>2023</u>	<u>2022</u>
Occupancy	Lease - current year	Fair market value for similar lease	\$ 78,843	\$ 124,000
Occupancy	Lease - subsequent years	Fair market value for similar lease	315,376	-
Horticulture	Landscaping	Donor provided fair market value	27,141	19,791
Program materials	Supplies	Donor provided fair market value	<u>-</u>	<u>5,444</u>
			<u>\$ 421,360</u>	<u>\$ 149,235</u>

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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 financial statements, as they do not meet the criteria for recognition and were estimated for the years ended December 31, 2023 and 2022 as follows:

	<u>Hours</u>	<u>Value</u>
2023	9,169	\$ 130,122
2022	7,900	\$ 103,809

15. NET ASSETS

Net assets were comprised of the following at December 31:

<u>Detail of Net Assets</u>	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Grounds For Sculpture, Inc.						
Operating	\$ 22,058,846	\$ -	\$ 22,058,846	\$ 20,910,351	\$ -	\$ 20,910,351
Board designated endowment	3,314,201	-	3,314,201	3,741,855	-	3,741,855
Time restricted for future periods	-	-	-	-	25,000	25,000
Time restricted - building and ground use	-	315,376	315,376	-	-	-
Purpose restricted for programs	-	154,723	154,723	-	242,392	242,392
Endowment fund	-	33,265,142	33,265,142	-	29,930,982	29,930,982
	<u>25,373,047</u>	<u>33,735,241</u>	<u>59,108,288</u>	<u>24,652,206</u>	<u>30,198,374</u>	<u>54,850,580</u>
GFSL, Inc.						
Operating	-	-	-	640	-	640
	<u>\$ 25,373,047</u>	<u>\$ 33,735,241</u>	<u>\$ 59,108,288</u>	<u>\$ 24,652,846</u>	<u>\$ 30,198,374</u>	<u>\$ 54,851,220</u>

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
Wellness	\$ 5,000	\$ 7,500
Endowment fund distributions	482,300	394,400
Education	14,163	53,816
Members lounge library	1,000	-
Exhibitions, conservation care, acquisitions	7,500	74,600
Marketing	-	22,500
Capacity building	130,000	34,500
Digital engagement and innovation fund	-	7,566
Catering	4,914	4,454
Time restrictions		
Building and grounds lease	78,843	-
Time restricted for future periods	25,000	20,000
	<u>\$ 748,720</u>	<u>\$ 619,336</u>

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16. 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 installments. The first installment of \$5,000,000 was received in 2020. The remaining installments were dependent upon the Organization raising an additional \$5,000,000 in matching funds by December 1, 2022. The Organization met this challenge and 85% of the remaining corpus value of the GFS Fund as of February 28, 2023 of \$16,470,000 was distributed to GFS on March 30, 2023. The remaining corpus of the GFS Fund will be distributed to GFS by December 31, 2030. The funds received during the years ended December 31, 2023 and 2022 have been with the existing donor restricted endowment funds. As of December 31, 2023 and 2022, gross contribution receivables related to the endowment were \$4,779,760 and \$19,571,818, respectively.

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.

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.

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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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ 4,710,208	\$ 12,550,358	\$ 17,260,566
Investment loss	(685,653)	(1,879,283)	(2,564,936)
Contributions	-	19,654,307	19,654,307
Amounts appropriated for expenditure	<u>(282,700)</u>	<u>(394,400)</u>	<u>(677,100)</u>
Endowment net assets, December 31, 2022	3,741,855	29,930,982	33,672,837
Investment return	(230,654)	3,637,275	3,406,621
Contributions, net of discount	-	179,185	179,185
Amounts appropriated for expenditure	<u>(197,000)</u>	<u>(482,300)</u>	<u>(679,300)</u>
Endowment net assets, December 31, 2023	<u>\$ 3,314,201</u>	<u>\$ 33,265,142</u>	<u>\$ 36,579,343</u>
Investment by type of fund			
Donor restricted "true" endowment			
Historical gift value	\$ -	\$ 30,326,734	\$ 30,326,734
Appreciation and cumulative unappropriated earnings	-	2,938,408	2,938,408
Board designated "funds" functioning as endowment	<u>3,314,201</u>	<u>-</u>	<u>3,314,201</u>
	<u>\$ 3,314,201</u>	<u>\$ 33,265,142</u>	<u>\$ 36,579,343</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment fund may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual durations. There were no underwater funds as of December 31, 2023. As of December 31, 2022, there was a deficiency of this nature in the accumulated donor-restricted endowment funds, which has an original gift value of approximately \$11,158,741, a current fair value of \$10,890,198, resulting in a deficiency of approximately \$268,543. These are deficiencies resulting from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the board of trustees.

17. EMPLOYEE RETENTION CREDIT

During the year ended December 31, 2023, the Organization filed for the Employee Retention Credit ("ERC"), which is a refundable tax credit. The ERC is being treated as a conditional contribution and is recognized as revenue as qualifying expense that give rise to the credit are incurred. The full amount of the ERC of \$372,893 is recognized as employee retention credit income in the accompanying statement of activities for the year-ended December 31, 2023.

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18. INCOME TAXES

Prior to dissolution, GFSL filed separate income tax returns. The provision for income taxes for the years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Federal	\$ -	\$ -
State	-	500
	<u>-</u>	<u>500</u>
Deferred tax expense		
Federal	-	98,000
State	-	26,800
	<u>-</u>	<u>124,800</u>
	<u>\$ -</u>	<u>\$ 125,300</u>

As of August 11, 2022, GFSL was officially dissolved with the State of New Jersey, Department of Treasury. As of December 31, 2023 and 2022, there were no federal or state net operating loss carryforwards.

19. CONCENTRATIONS

GFS has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

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 financial statements for any amounts considered uncollectible. This limits GFS's exposure to credit risk. For the years ended December 31, 2023 and 2022, GFS did not record an allowance.

GFS has received revenue from one donor that amounted to 9%, and two donors that amounted to 70% of total revenue for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, GFS had receivables balances from the same two donors that amounted to 90% and 96% of total receivables, respectively. GFS received contributions totaling approximately \$112,482 and \$739,050 from members of the board of trustees for the years ended December 31, 2023 and 2022, respectively.

GFS has investment holdings in two equity securities that amounted to 70%, and two equity securities that amounted to 71%, of total investments for the years ended December 31, 2023 and 2022, respectively.

20. SUBSEQUENT EVENTS

GFS has evaluated subsequent events occurring after the statement of financial position date through the date of April 11, 2024, the date the financial statements were available to be issued. Based upon this evaluation, GFS has determined that there are no subsequent events that have occurred which require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

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 Trustees of
Grounds For Sculpture, Inc.:

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 financial statements of Grounds For Sculpture, Inc. (the "Organization" or "GFS"), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to financial statements and have issued our report thereon dated April 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 Organization's 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 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.

Withum Smith + Brown, PC

April 11, 2024

**Grounds For Sculpture, Inc.
 Supplementary Schedule of Expenditures of State Financial Assistance and Notes to the
 Schedule of Expenditure of State Financial Assistance
 December 31, 2023**

<u>State Grantor / Program Title</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Current Year Expenditures</u>	<u>Contract Expenditures to Date</u>
<u>State of New Jersey Department of State</u>				
New Jersey State Council on the Arts				
General Operating Support	C-2405X010085	07/01/2023 - 06/30/2024	160,500	160,500
			<u>\$ 160,500</u>	<u>\$ 160,500</u>

Note A – BASIS OF PRESENTATION

The supplemental schedule of expenditures of state financial assistance (the “Schedule”) includes the state grant activity of Grounds For Sculpture, Inc. under programs of the state government for the year ended December 31, 2023. 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., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Grounds For Sculpture, Inc.

Note B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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