

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021
(With Summarized Comparative Totals for December 31, 2020)

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES.....	5
STATEMENT OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-14
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15-16

GERMAN, VREELAND & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY M. GERMAN, MBA, CPA
DAVID A. HULSIZER, CPA
VICTOR MAISANO, CPA
KEVIN O'CONNOR, MBA, CPA
RAJESH K. SETHI, CPA, MST

2 RIDGEDALE AVENUE - SUITE 300
CEDAR KNOLLS, NJ 07927-1119
(973) 605-2777
FAX (973) 605-8064
www.gvacpa.com

MARIA BATTERSHALL, CPA
ROBERT W. DODDS, CPA*
KELLY MCBRIDE, CPA

RETIRED
LOUIS T. GERMAN (1923 - 2013)
CURT L. PALATSKY (1951 - 2018)
GORDON A. VREELAND

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Stickley Museum at Craftsman Farms, Inc.
Morris Plains, New Jersey

Opinion

We have audited the accompanying financial statements of The Stickley Museum at Craftsman Farms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Stickley Museum at Craftsman Farms, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing 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. 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 Stickley Museum at Craftsman Farms, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Stickley Museum at Craftsman Farms, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Stickley Museum at Craftsman Farms, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Stickley Museum at Craftsman Farms, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited The Stickley Museum at Craftsman Farms, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of The Stickley Museum at Craftsman Farms, Inc.'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 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 The Stickley Museum at Craftsman Farms, Inc.'s 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 Stickley Museum at Craftsman Farms, Inc.'s internal control over financial reporting and compliance.


German, Vreeland & Associates, LLP

Cedar Knolls, New Jersey

September 30, 2022

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With Summarized Comparative Totals for December 31, 2020)

ASSETS	2021	2020
Cash and cash equivalents	\$ 315,733	\$ 277,840
Investments	374,488	359,003
Cash restricted for education center	38,370	53,268
Unconditional promises to give restricted for education center	29,906	54,241
Grants receivable restricted for education center	-	12,326
Grants receivable-other	151,652	150,000
Security deposits	306	306
Inventory, net	14,721	28,803
Fixed assets, net of accumulated depreciation	74,978	91,617
Collections	-	-
TOTAL ASSETS	<u>\$ 1,000,154</u>	<u>\$ 1,027,404</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 131,977	\$ 10,951
Accrued expenses	12,994	12,468
Line of credit	20,000	75,000
TOTAL LIABILITIES	<u>164,971</u>	<u>98,419</u>
NET ASSETS		
Without donor restrictions	681,264	603,171
With donor restrictions	153,919	325,814
TOTAL NET ASSETS	<u>835,183</u>	<u>928,985</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,000,154</u></u>	<u><u>\$ 1,027,404</u></u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021
(With Summarized Comparative Totals for December 31, 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2021	TOTAL 2020
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 141,373	\$ 60,500	\$ 201,873	\$ 176,966
Membership contributions	51,365	-	51,365	52,450
Grants	62,130	-	62,130	81,605
Paycheck Protection Program grant	48,460	-	48,460	61,171
Admissions	1,156	-	1,156	2,868
Museum shop sales	38,108	-	38,108	33,123
Special events revenue (net of costs of direct benefits to donors of \$8,538 for 2021 and \$10,827 for 2020)	147,779	-	147,779	136,606
Interest and dividends	4,672	506	5,178	5,388
Net unrealized and realized gains on investments	15,456	1,720	17,176	35,601
Program revenue	43,263	-	43,263	54,945
Other income	3,418	-	3,418	8,877
Net assets released from restrictions	234,621	(234,621)	-	-
Total revenue, gains and other support	<u>791,801</u>	<u>(171,895)</u>	<u>619,906</u>	<u>649,600</u>
EXPENSES				
Program services	543,163	-	543,163	1,043,892
Management and general	118,793	-	118,793	116,237
Fundraising	51,752	-	51,752	53,478
Total expenses	<u>713,708</u>	<u>-</u>	<u>713,708</u>	<u>1,213,607</u>
CHANGE IN NET ASSETS	78,093	(171,895)	(93,802)	(564,007)
NET ASSETS-Beginning of year	<u>603,171</u>	<u>325,814</u>	<u>928,985</u>	<u>1,492,992</u>
NET ASSETS-End of year	<u>\$ 681,264</u>	<u>\$ 153,919</u>	<u>\$ 835,183</u>	<u>\$ 928,985</u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
(With Summarized Comparative Totals for December 31, 2020)

	2021			2020
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and wages	\$ 203,094	\$ 37,804	\$ 24,016	\$ 264,914
Payroll taxes	15,293	3,386	3,168	21,847
Benefits	13,949	3,089	2,889	19,927
Total salaries and related expenses	232,336	44,279	30,073	306,688
Restoration, preservation and rehabilitation	221,450	-	-	221,450
Supplies	7,760	10,901	-	18,661
Museum shop expenses	35,079	-	-	35,079
Inventory reserve	-	-	-	-
Special events expenses	-	-	1,858	1,858
Contracted services	9,211	31,731	12,772	53,714
Insurance	10,168	5,084	5,084	20,336
Professional services	327	11,488	-	11,815
Printing	1,436	-	301	1,737
Postage and shipping	124	4,812	-	4,936
Facilities maintenance	13,790	-	-	13,790
Telephone and communications	-	5,138	-	5,138
Professional development	225	368	-	593
Education, conferences and workshops	1,274	-	-	1,274
Total expenses before depreciation	533,180	113,801	50,088	697,069
Depreciation	9,983	4,992	1,664	16,639
Total expenses	\$ 543,163	\$ 118,793	\$ 51,752	\$ 713,708
				\$ 1,213,607

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
(With Summarized Comparative Totals for December 31, 2020)

	2021	2020
CHANGE IN NET ASSETS	\$ (93,802)	\$ (564,007)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,639	7,308
Net unrealized and realized (gains) on investments	(17,176)	(35,601)
Inventory reserve	-	121,000
Change in operating assets and liabilities		
Unconditional promises to give	24,335	83,716
Grants receivable	10,674	300,331
Inventory	14,082	19,135
Accounts payable	121,026	(6,800)
Accrued expenses	526	1,233
Contributions restricted for education center	-	(39,084)
Net cash provided by (used in) operating activities	<u>76,304</u>	<u>(112,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(66,465)	(112,332)
Proceeds from sale of investments	68,156	84,764
Decrease in restricted cash	14,898	188,881
Purchase of fixed assets	-	(65,320)
Net cash provided by investing activities	<u>16,589</u>	<u>95,993</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for education center	-	39,084
Proceeds from line of credit	-	55,000
Payments on line of credit	(55,000)	(10,000)
Net cash (used in) provided by financing activities	<u>(55,000)</u>	<u>84,084</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,893	67,308
CASH AND CASH EQUIVALENTS-Beginning of year	<u>277,840</u>	<u>210,532</u>
CASH AND CASH EQUIVALENTS-End of year	<u>\$ 315,733</u>	<u>\$ 277,840</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 2,595</u>	<u>\$ 2,616</u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - The financial statements of The Stickley Museum at Craftsman Farms, Inc. (the “Organization”) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization - The Organization was incorporated on January 4, 1989 to preserve, interpret and make relevant the legacy and ideals of Gustav Stickley and the American Arts and Crafts movement by providing creative programming and authentic experiences that educate, engage and inspire diverse audiences. The Organization is located in the Township of Parsippany-Troy Hills, New Jersey. The Organization is supported primarily through donor contributions and grants. During 2015, the Organization changed its legal name from The Craftsman Farms Foundation, Inc. to The Stickley Museum at Craftsman Farms, Inc.

Tax Status and Incorporation - The Organization was incorporated under Title 15 of the revised statutes of the State of New Jersey as a nonprofit corporation. The corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for federal income taxes. The Organization has no uncertain tax positions at December 31, 2021 and 2020. Generally, in accordance with the statutes of limitations, the Organization is no longer subject to examinations by the Internal Revenue Service for returns filed prior to 2018. In addition, there was no interest or penalties related to income taxes included in the financial statements.

Financial Statement Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors; net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured at the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Revenue and Revenue Recognition - Revenues are derived primarily from admissions, programs fees and museum shop sales. Revenues are recognized in the periods in which goods and services are provided. The Organization receives grants and contracts from federal, state, and local agencies, as well as from private organizations, to be used for specific programs. Unconditional grant awards are recorded as contribution revenue in the period which they are awarded. Grants awards having the existence of a condition but lacking in both the existence of a barrier and right of return to the resource provider, are classified as restricted contribution revenue until conditions of the award are met. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as deferred revenue when received and are recognized as contribution revenue when the awards are expended for the purpose of the grant or other conditions are satisfied.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

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

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Fixed Assets and Depreciation – Fixed assets are recorded at cost when purchased or at fair value at date of gift. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Major renewals and betterments are charged to fixed assets; maintenance, minor repairs and replacements which do not improve or extend the lives of the respective assets are expensed currently. The Organization continually evaluates whether current events or circumstances require adjustments to the carrying value or estimated useful lives of fixed assets.

Valuation of Long-Lived Assets – In accordance with the accounting pronouncements related to accounting for the impairment or disposal of long-lived assets, the Organization 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.

Inventory – Inventory consists of books, arts-and crafts style home décor, art prints, pottery and tiles, and Stickley-branded merchandise which are valued at the lower of cost or net realizable value on a first-in, first-out basis. During 2020, a \$121,000 inventory reserve was recorded in the financial statements.

Advertising – The Organization expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2021 and 2020 were \$441 and \$80, respectively.

Functional Expenses – Expenses are charged to each program based on direct expenditures that are incurred. Any program expenditures not directly chargeable are allocated to programs based on time spent.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 2 – PROMISES TO GIVE – Unconditional promises to give consist of the following:

	2021	2020
Restricted to rehabilitation of Education Center	\$ 30,100	\$ 55,500
Less: Unamortized discount	(194)	(1,259)
Net unconditional promises to give	<u>\$ 29,906</u>	<u>\$ 54,241</u>
Amounts due in:		
Less than one year	\$ 25,100	\$ 25,500
One to five years	5,000	30,000
	<u>\$ 30,100</u>	<u>\$ 55,500</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 2%. Uncollectible amounts for unconditional promises to give are expected to be insignificant.

NOTE 3 – INVESTMENTS - At December 31, 2021 and 2020 investments were comprised of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Exchange traded funds	<u>\$ 312,535</u>	<u>\$ 374,488</u>	<u>\$308,081</u>	<u>\$ 359,003</u>

The following schedule summarizes the investment return in the statement of activities for the years ended December 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 4,672	\$ 506	\$ 5,178
Realized gains	5,008	1,136	6,144
Unrealized gains	10,448	584	11,032
Total	<u>\$ 20,128</u>	<u>\$ 2,226</u>	<u>\$ 22,354</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 4,798	\$ 590	\$ 5,388
Realized gains	5,638	333	5,971
Unrealized gains	26,548	3,082	29,630
Total	<u>\$ 36,984</u>	<u>\$ 4,005</u>	<u>\$ 40,989</u>

Investment expenses relating to investment revenues for the years ended December 31, 2021 and 2020 were \$5,103 and \$4,499, respectively.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 4 – FAIR VALUE MEASUREMENTS – The Organization has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2021 and 2020, along with the basis for the determination of fair value:

		2021		
	Total	Quoted Prices In Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Exchange traded funds	\$ 374,488	\$ 374,488	\$ -	\$ -
		2020		
	Total	Quoted Prices In Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Exchange traded funds	\$ 359,003	\$ 359,003	\$ -	\$ -

The Organization values such assets using quoted market prices in active markets (Level 1) for identical assets to the extent possible. To the extent possible that such markets are not available, the Organization values 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, the Organization develops measurement criteria based on the best information available (Level 3).

NOTE 5 – FIXED ASSETS AND DEPRECIATION - Fixed assets and accumulated depreciation at December 31, 2021 and 2020 were comprised of:

	Life Years	2021	2020
Equipment	5	\$ 23,366	\$ 23,366
Furniture and fixtures	7	87,210	87,210
		110,576	110,576
Less: accumulated depreciation		(35,598)	(18,959)
Net fixed assets		\$ 74,978	\$ 91,617

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$16,639 and \$7,308 respectively.

NOTE 6 - RESTRICTED ASSETS – Restricted cash, restricted unconditional promises to give, and restricted grants have been restricted by donors for the Education Center Rehabilitation Project.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 7 – COLLECTION ITEMS – Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. The Organization adheres to the ethical principles and definition of direct care established by the American Alliance of Museums and considers direct care to entail actions that enhance the life, usefulness, or quality of the collection items to ensure they will continue to benefit the public. The proceeds from deaccession of collection items may be used for acquisitions of new collection items or the direct care of existing collections. Proceeds from deaccessions or insurance recoveries are reflected in the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

The Organization's collection is comprised of items purchased and donated. The collection includes furniture, textiles, pottery, metalwork, historic household objects, books, works on paper, photographs, archival materials, and other items relating to the preservation and interpretation at this historic house museum. The Organization's staff ensures that the collection is protected and preserved.

NOTE 8 – LINE OF CREDIT – The Organization has a total available line of credit of \$75,000 with Provident Bank at December 31, 2021 and 2020. The line of credit had outstanding balances of \$20,000 and \$75,000 at December 31, 2021 and 2020, respectively. Interest on outstanding balances is at 1% in excess of the Wall Street Journal Prime Rate (the "Index"). The line of credit is secured by the Organization's investment account.

NOTE 9 – RESTRICTIONS ON NET ASSETS - In 2018, the Organization began a project to rehabilitate one of Gustav Stickley's nine original buildings remaining on the property of Craftsman Farms owned by the Township of Parsippany-Troy Hills, New Jersey. This building was a garage at the ground level, with two upper levels that were destroyed by fire in 1950 and rebuilt as one level. After the property became an historic site, this upper level served as the administrative office for the Organization's staff. The Education Center Rehabilitation Project is to preserve the original, historic, ground-level garage and reestablish the two upper levels on the historic stone foundation. The rehabilitated building houses a large, multi-use program space in the Stickley-era garage at the ground level. The rebuilt upper levels serve as administrative offices, collections storage, and resource library. Financial support for the rehabilitation is through grant commitments from the Township of Parsippany-Troy Hills in New Jersey and the Morris County Historic Preservation Trust, and from a fundraising campaign conducted by the Organization. During 2021 and 2020 rehabilitation costs were \$21,777 and \$601,989, respectively, and are included in restoration, preservation and rehabilitation costs in the statement of functional expenses. The rehabilitation was substantially complete in 2020.

Net assets with donor restrictions as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
The Education Center Rehabilitation Project	\$ 68,276	\$ 119,575
New Jersey Historic Trust – cottage restoration	17,675	150,000
Amy Stahl Memorial Fund-education programs	38,052	36,294
Library Resource Center	29,916	14,945
Collection Fund	-	5,000
Total	<u>\$ 153,919</u>	<u>\$ 325,814</u>

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 10 – GRANTS - The Organization receives support from foundation and government grants. Support from these grants is not necessarily comparable on a year-to-year basis, and there is no assurance that such grants will always be received. The Organization is economically dependent on government grants to carry on certain specific projects. Entitlement to the resources is conditional upon compliance with the terms and conditions of the grant agreements and any applicable regulations. During 2021 and 2020 the terms and conditions of the grants were met by the Organization, and all costs included in the final reports to the respective grantor agencies included only eligible costs. Government grant awards that were expended during 2021 and 2020 included:

	2021	2020
New Jersey Historic Trust – Historic Preservation	\$ 132,325	\$ 35,100
New Jersey Historic Commission – Historic Preservation	55,156	37,730
Morris County Historic Preservation Trust Fund - Rehabilitation	12,326	309,106
Total	<u>\$ 199,807</u>	<u>\$ 381,936</u>

NOTE 11 – RESTORATION, PRESERVATION AND REHABILITATION – The Organization undertakes from time to time substantial historic restoration, preservation and rehabilitation efforts and financial results will accordingly vary substantially between years. Expenditures for restoration, preservation and rehabilitation are not reflected as an increase in assets since the property operated by the Organization is owned by the Township of Parsippany-Troy Hills (see Note 12).

NOTE 12 – COMMITMENTS – The Organization has had an operating agreement with the Township of Parsippany-Troy Hills since June 20, 1991, which was replaced by a successor agreement dated September 4, 2002. In addition, since July 2002 the Organization has had a lease with the Township which initially covered only the Main House but which now covers other buildings, including additional buildings sold by the Organization to the Township in 2007. The terms of the operating agreement and lease currently run until October 30, 2031 and the Organization has an option to extend the operating agreement and lease terms for an additional 25 years. The lease agreement requires lease payments of \$5 annually. The Township provides certain maintenance and security services pursuant to the operating agreement. The Organization is required to provide periodic reports on its activities, strategic plans and financials pursuant to the operating agreement.

NOTE 13 – FACILITIES MAINTENANCE – A substantial amount of the expenses for facilities maintenance are paid by the Township of Parsippany-Troy Hills in accordance with the lease and operating agreement.

NOTE 14 – PENSION PLAN – During 2013 the Organization established a 401(k) Profit-Sharing Plan. The Plan covers employees who meet certain eligibility requirements. Employees who satisfy the eligibility requirements may make salary reduction contributions to the Plan equal to at least 1% but no more than 100% of his or her compensation. The Organization does not make matching contributions to the Plan.

NOTE 15 – COMPARATIVE FINANCIAL INFORMATION - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 16 – RECENT ACCOUNTING PRONOUNCEMENTS

Issued - In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for not-for-profit organizations for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities For Contributed Nonfinancial Assets* (Topic 958). ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. This ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

NOTE 17 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses excluding depreciation. The Organization has an investment account which is an operating reserve for expenses in the event needed. The Organization does not believe it is necessary to draw on its investments currently, which are, therefore, designated as operating reserves:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 354,103	\$ 331,108
Unconditional promises to give	29,906	54,241
Grants receivable	151,652	162,326
Investments	374,488	359,003
Total financial assets	<u>910,149</u>	<u>906,678</u>
Contractual or donor-imposed restrictions	(153,919)	(325,814)
Operating reserves	<u>(375,449)</u>	<u>(359,956)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 380,781</u>	<u>\$ 220,908</u>

NOTE 18 – UNCERTAINTIES - The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects that this matter may negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021
(With Comparative Totals for December 31, 2020)

NOTE 19 - PAYCHECK PROTECTION PROGRAM - On April 27, 2020, the Organization was granted a loan from a bank in the amount of \$54,171, pursuant to the Small Business Administration (SBA) Paycheck Protection Program (the "PPP") under the CARES Act, which was enacted March 27, 2020. The loan is in the form of a note dated April 27, 2020 maturing on April 27, 2022 and bears interest at a rate of 1.00% per annum. On March 15, 2021, the Organization received a second draw loan from a bank under the PPP in the amount of \$48,460. The loan is in the form of a promissory note dated March 15, 2021. The loan matures on March 15, 2026 and bears interest at a rate of 1.00% per annum. Funds from the loans may only be used for payroll, health care benefits, rent, utilities, and interest on other debt obligations incurred during a specified period beginning on the funding date. The Organization used the entire loan amounts for qualifying expenses. Under the terms of the PPP, the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization applied for forgiveness and received confirmation that the first loan was forgiven in full in May 2021 and the second loan was forgiven in full in November 2021.

The Organization chose to account for the loans as conditional contributions in accordance with FASB ASC 958-605 as it expected to meet the PPP's eligibility requirements and concluded that the PPP loans represent, in substance, grants that are expected to be forgiven. According to ASC 958-605 the loans are initially recorded as deferred revenue and are recognized as income when conditions of the grants (qualifying expenses) are substantially met. During the years ended December 31, 2021 and 2020, the Organization recognized \$48,460 and \$61,171, respectively, of revenue including \$7,000 from the Economic Injury Disaster Loan (EIDL) in 2020 as a grant from the SBA which does not have to be repaid.

NOTE 20 - SUBSEQUENT EVENTS - The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$7,000 per employee for eligible employers. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee is \$10,000 per quarter. The Organization qualifies for the tax credit under the CARES Act for the quarters ended March 31, 2022 and June 30, 2022, and the anticipated credits are approximately \$32,500 and \$17,400, respectively.

Management has evaluated subsequent events through September 30, 2022, the date on which the financial statements were available to be issued. There were no other subsequent events that require recognition or disclosure in the financial statements.

GERMAN, VREELAND & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY M. GERMAN, MBA, CPA
DAVID A. HULSIZER, CPA
VICTOR MAISANO, CPA
KEVIN O'CONNOR, MBA, CPA
RAJESH K. SETHI, CPA, MST

2 RIDGEDALE AVENUE - SUITE 300
CEDAR KNOLLS, NJ 07927-1119
(973) 605-2777
FAX (973) 605-8064
www.gvacpa.com

MARIA BATTERSHALL, CPA
ROBERT W. DODDS, CPA*
KELLY MCBRIDE, CPA

RETIRED
LOUIS T. GERMAN (1923 - 2013)
CURT L. PALATSKY (1951 - 2018)
GORDON A. VREELAND

INDEPENDENT AUDITOR'S 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*

To the Board of Trustees of
The Stickley Museum at Craftsman Farms, Inc.

We have audited, in accordance with the 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 The Stickley Museum at Craftsman Farms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Stickley Museum at Craftsman Farms, Inc.'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 Stickley Museum at Craftsman Farms, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Stickley Museum at Craftsman Farms, Inc.'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 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Stickley Museum at Craftsman Farms, Inc.'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.



German, Vreeland & Associates, LLP

Cedar Knolls, New Jersey

September 30, 2022