

**THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018
(With Summarized Comparative Totals for December 31, 2017)**

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
FINANCIAL STATEMENTS
December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

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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

Report on the Financial Statements

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, The Stickley Museum at Craftsman Farms, Inc. adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Stickley Museum at Craftsman Farms, Inc. as of December 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited The Stickley Museum at Craftsman Farms, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



German, Vreeland & Associates, LLP
Cedar Knolls, New Jersey
September 10, 2019

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

ASSETS

CURRENT ASSETS

	2018	2017
Cash and cash equivalents	\$ 214,543	\$ 193,145
Unconditional promises to give	-	213
Investments	285,349	212,836
Cash restricted for education center	148,892	-
Unconditional promises to give restricted for education center	218,187	-
Grants receivable restricted for education center	355,143	-
Investments restricted for education center	104,723	-
Security deposits	306	306
Inventory	197,035	209,156
Collections	-	-
TOTAL ASSETS	\$ 1,524,178	\$ 615,656

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 8,762	\$ 10,977
Accrued expenses	11,798	19,693
Line of credit	40,000	33,000
TOTAL LIABILITIES	60,560	63,670

NET ASSETS

Without donor restrictions	573,424	491,076
With donor restrictions	890,194	60,910
TOTAL NET ASSETS	1,463,618	551,986
TOTAL LIABILITIES AND NET ASSETS	\$ 1,524,178	\$ 615,656

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2018	TOTAL 2017
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 225,098	\$ 501,885	\$ 726,983	\$ 147,671
Membership contributions	45,180	-	45,180	50,604
Donated services	45,081	-	45,081	1,275
Grants	28,000	355,143	383,143	156,812
Admissions	19,978	-	19,978	22,699
Museum shop sales	57,465	-	57,465	64,715
Special events revenue (net of costs of direct benefits to donors of \$34,855 for 2018 and \$28,336 for 2017)	121,433	-	121,433	136,274
Interest and dividends	6,503	746	7,249	4,273
Net unrealized and realized (losses) gains on investments	(19,182)	(2,174)	(21,356)	12,966
Program revenue	60,204	-	60,204	64,041
Other income	4,990	-	4,990	1,021
Net assets released from restrictions	26,316	(26,316)	-	-
Total revenue, gains and other support	621,066	829,284	1,450,350	662,351
EXPENSES				
Program services	380,074	-	380,074	484,451
Management and general	85,429	-	85,429	85,699
Fundraising	73,215	-	73,215	59,811
Total expenses	538,718	-	538,718	629,961
CHANGE IN NET ASSETS	82,348	829,284	911,632	32,390
NET ASSETS-Beginning of year	491,076	60,910	551,986	519,596
NET ASSETS-End of year	\$ 573,424	\$ 890,194	\$ 1,463,618	\$ 551,986

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

	2018			2017		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES	TOTAL EXPENSES	TOTAL EXPENSES
Salaries and wages	\$ 138,270	\$ 35,872	\$ 42,314	\$ 216,456	\$ 236,415	\$ 236,415
Payroll taxes	12,675	2,807	2,623	18,105	19,010	19,010
Benefits	10,954	2,426	2,269	15,649	18,360	18,360
Total salaries and related expenses	161,899	41,105	47,206	250,210	273,785	273,785
Restoration, preservation and rehabilitation	78,971	-	-	78,971	148,125	148,125
Supplies	7,687	11,884	-	19,571	19,315	19,315
Museum shop expenses	40,284	-	-	40,284	39,791	39,791
Special events expenses	-	-	9,295	9,295	6,127	6,127
Contracted services	44,663	10,258	11,002	65,923	71,220	71,220
Insurance	8,926	4,463	4,463	17,852	17,572	17,572
Professional services	3,057	10,549	-	13,606	17,787	17,787
Printing	11,830	132	1,249	13,211	13,678	13,678
Postage and shipping	136	3,224	-	3,360	3,945	3,945
Facilities maintenance	4,066	-	-	4,066	4,093	4,093
Telephone and communications	-	3,729	-	3,729	3,644	3,644
Professional development	8,848	85	-	8,933	1,963	1,963
Education, conferences and workshops	9,707	-	-	9,707	8,619	8,619
Total expenses before depreciation	380,074	85,429	73,215	538,718	629,664	629,664
Depreciation	-	-	-	-	297	297
Total expenses	\$ 380,074	\$ 85,429	\$ 73,215	\$ 538,718	\$ 629,961	\$ 629,961

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

	2018	2017
CHANGE IN NET ASSETS	\$ 911,632	\$ 32,390
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	-	297
Net unrealized and realized losses (gains) on investments	21,356	(12,966)
Donated stock	(104,723)	-
Change in operating assets and liabilities		
Unconditional promises to give	(217,974)	1,641
Grants receivable	(355,143)	38,562
Inventory	12,121	7,950
Accounts payable	(2,215)	(46,138)
Accrued expenses	(7,895)	2,005
Contributions restricted for education center	(170,625)	-
Net cash provided by operating activities	<u>86,534</u>	<u>23,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(216,897)	(65,044)
Proceeds from sale of investments	123,028	64,950
Increase in restricted cash	(148,892)	-
Net cash (used in) investing activities	<u>(242,761)</u>	<u>(94)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for education center	170,625	-
Proceeds from line of credit	20,000	15,000
Payments on line of credit	(13,000)	-
Net cash provided by financing activities	<u>177,625</u>	<u>15,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,398	38,647
CASH AND CASH EQUIVALENTS-Beginning of year	<u>193,145</u>	<u>154,498</u>
CASH AND CASH EQUIVALENTS-End of year	<u>\$ 214,543</u>	<u>\$ 193,145</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 1,810</u>	<u>\$ 1,396</u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

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, 2018 and 2017. 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 2015. 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.

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.

Restricted Assets – Restricted cash, restricted unconditional promises to give, restricted grants and restricted investments have been restricted by donors for the Education Center Rehabilitation Project.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

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

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 lower of cost or net realizable value on a first-in, first-out basis.

Advertising – The Organization expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 were \$2,705 and \$1,988, 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 statement of activities reflects donated services and corresponding expenses of \$45,081 and \$1,275 for the years ended December 31, 2018 and 2017, respectively.

New Accounting Pronouncement – In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This pronouncement addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

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

	<u>2018</u>	<u>2017</u>
Promises without donor restrictions	\$ -	\$ 213
Restricted to rehabilitation of Education Center	<u>225,400</u>	<u>-</u>
Gross unconditional promises to give	225,400	213
Less: Unamortized discount	<u>(7,213)</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 218,187</u>	<u>\$ 213</u>
Amounts due in:		
Less than one year	\$ 82,950	\$ 213
One to five years	<u>142,450</u>	<u>-</u>
	<u>\$ 225,400</u>	<u>\$ 213</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, 2018 and 2017 investments were comprised of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 104,723	\$ 104,723	\$ -	\$ -
Exchange traded funds	<u>290,653</u>	<u>285,349</u>	<u>201,672</u>	<u>212,836</u>
Total	<u>\$ 395,376</u>	<u>\$ 390,072</u>	<u>\$ 201,672</u>	<u>\$ 212,836</u>

The following schedule summarizes the investment return in the statement of activities for the years ended December 31, 2018 and 2017:

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 6,503	\$ 746	\$ 7,249
Realized (losses)	(4,943)	(247)	(5,190)
Unrealized (losses)	<u>(14,239)</u>	<u>(1,927)</u>	<u>(16,166)</u>
Total	<u>\$ (12,679)</u>	<u>\$ (1,428)</u>	<u>\$ (14,107)</u>
	<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 3,652	\$ 621	\$ 4,273
Realized gains (losses)	552	(26)	526
Unrealized gains	<u>12,026</u>	<u>414</u>	<u>12,440</u>
Total	<u>\$ 16,230</u>	<u>\$ 1,009</u>	<u>\$ 17,239</u>

Investment expenses relating to investment revenues for the years ended December 31, 2018 and 2017 were \$4,408 and \$3,065, respectively.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018
(With Summarized Comparative Totals for December 31, 2017)

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, 2018 and 2017, along with the basis for the determination of fair value:

2018				
	Total	Quoted Prices In Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Equities	\$ 104,723	\$ 104,723	\$ -	\$ -
Exchange traded funds	285,349	285,349	-	-
Total	<u>\$ 390,072</u>	<u>\$ 390,072</u>	<u>\$ -</u>	<u>\$ -</u>

2017				
	Total	Quoted Prices In Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Exchange traded funds	\$ 212,836	\$ 212,836	\$ -	\$ -
Total	<u>\$ 212,836</u>	<u>\$ 212,836</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018 and 2017 were comprised of:

	Life Years	2018	2017
Office equipment	5	\$ 11,651	\$ 11,651
Less: accumulated depreciation		(11,651)	(11,651)
Net fixed assets		<u>\$ -</u>	<u>\$ -</u>

Depreciation expenses for the years ended December 31, 2018 and 2017 were \$0 and \$297, respectively.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
NOTES TO FINANCIAL STATEMENTS
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(With Summarized Comparative Totals for December 31, 2017)

NOTE 6 – 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. 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, 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 7 – LINE OF CREDIT – The Organization has a total available line of credit of \$75,000 with Provident Bank at December 31, 2018. The line of credit had outstanding balances of \$40,000 and \$33,000 at December 31, 2018 and 2017, 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 8 – 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 will preserve the original, historic, ground-level garage and reestablish the two upper levels on the historic stone foundation. The rehabilitated building will house a large, multi-use program space in the Stickley-era garage at the ground level. The rebuilt upper levels will serve as administrative offices and collections storage. 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 2018 rehabilitation costs were \$65,867 and are included in restoration, preservation and rehabilitation costs in the statement of functional expenses. The rehabilitation is expected to be completed in 2020 at a cost of approximately \$2,600,000.

Net assets with donor restrictions also include the Amy Stahl Memorial Fund (restricted to education programs) and funds restricted to the Library Resource Center.

Net assets with donor restrictions as of December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
The Education Center Rehabilitation Project	\$ 826,155	\$ -
Amy Stahl Memorial Fund-education programs	30,182	31,327
Library Resource Center	33,857	29,583
Total	<u>\$ 890,194</u>	<u>\$ 60,910</u>

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
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NOTE 9 – 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 2018 and 2017 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.

NOTE 10 – 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.

NOTE 11 – 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 12 – 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 13 – 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 14 – 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, 2017, from which the summarized information was derived.

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS - In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 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, 2019, with early adoption permitted. The Organization is evaluating the impact the pronouncement may have on the financial statements.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.
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NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

In March 2019, FASB issued ASU 2019-03, Not-for-Profit Entities (Topic 958): *Updating the Definition of Collections*. ASU 2019-03 eliminates diversity in practice by aligning the definition of *collections* in GAAP with the definition used by the American Alliance of Museums (AAM). Under the clarified definition, proceeds from the sale of collection items can be used for either acquiring new collection items and/or for the direct care for existing collection items. ASU 2019-03 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted.

NOTE 16 – 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, which is insignificant. 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 363,435	\$ 193,145
Unconditional promises to give	218,187	213
Grants receivable	355,143	-
Investments	390,072	212,836
Total financial assets	<u>1,326,837</u>	<u>406,194</u>
Contractual or donor-imposed restrictions	(890,194)	(60,910)
Operating reserves	<u>(322,720)</u>	<u>(235,258)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 113,923</u>	<u>\$ 110,026</u>

NOTE 17 – SUBSEQUENT EVENTS - Management has evaluated subsequent events through September 10, 2019, the date which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.