

**Woodstock Economic Development Commission  
Application for Community Project Grant 2019**

**Name of Project:** Pentangle Arts Theatre Upgrades

**Brief Description** (50 words): We seek the funds to bring us closer to matching a \$50,000 grant from the Jack and Dorothy Byrne Foundation for much needed upgrades to our theatre interior, lighting and sound equipment. While state of the art twenty years ago, these elements are now outdated and insufficient to support modern productions.

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**Grant Request:** \$20,000 **Total Project Budget**  
\$100,000

**Applicant Information**

Name of Applicant/Organization/Business: Pentangle Arts

Mailing Address: 31 The Green, Woodstock, VT 05091

Name of Project Coordinator: Alita Wilson

Contact's Email Address: director@pentanglearts.org

Telephone: 802-457-3981

EIN: 030237947

Organization's Website URL: Pentanglearts.org

Applicant/Organizational Description: Briefly describe your organization or group and its mission. (150 words)

Pentangle's mission to present and maintain an arts program of the highest quality for the enrichment of our community and schools—including live musical theater, Arts in Education performances, films, summer outdoor concerts, visual arts exhibits and community outreach activities—encourages the participation of over 30,000 patrons each year.

Pentangle is also steward of the community's primary gathering space and performance venue—the Woodstock Town Hall Theatre—where area residents and visitors alike meet friends for first run movies and documentaries screened in Woodstock's historic Town Hall Theatre through-out the year. Pentangle's cultivation of mutually beneficial partnerships with local businesses and non-profit organizations supports community while generating collateral revenues.

Applicant/Organizational Budget: What is your total organizational budget (or total project expenses) for the current fiscal year?

362,702.50

Organizational Budget (Required for businesses and organizations): Attach a copy of your Budget to Actual comparison or Profit Loss (P/L) statement for the most recently completed fiscal year.

### **Project Information:**

Project Goals: Explain the goal(s) of the project. Describe the work you will do and what that will accomplish, in other words - what you are doing and why. Please be specific. (300 words)

**Our goal is to implement the following upgrades:**

**Replace obsolete light fixtures with energy efficient LED lights.** The current light plot and light board is jury rigged so that renters, our own lighting designers and technical staff need expensive rentals for current day productions.

**Replace the sound processors for the digital projector.** The sound processors for the digital projector were purchased in the mid 90's and hence pre-date the projector. The surround sound processor recently failed and the other three are on their last legs.

**Replace the sound and light board.** The sound and light boards are so antiquated we can no longer charge rental clients for their use. Rental packages are a critical source of income for the organization.

**Repair the stage wings and patch the carpet.** The interior of the theatre, carpet, window drapes, and seating has not been replaced since the 1988 renovation. At this juncture the technical equipment is of greater priority. Certainly, in the long term we hope to replace the theatre flooring and seats and in doing bring the theatre compliant with the ADA. In the short-term repairs to pine flooring will prevent splinters (a recurring problem with our campers) and patching the worn carpet will be more aesthetically appealing.

### **Concession Stand Upgrades:**

Concession revenue sustains the movie operation. Modifications such as adding a grease trap for the sink, a higher-end popcorn machine, and a refrigerator will allow the employees to increase sales by making more popcorn, selling more cold beverages and over all give our patrons a better movie going experience. We know from our sales reports that at least 40% of our movie goers live outside of Woodstock.

Our goal is to implement the upgrades so that we can maximize revenue potential for the organization and the village businesses. We know from our live productions that over the past three years included: CATS, The Rocky Horror Show, Cabaret and HAIR, Coig, Irish Christmas, ED Asner, Jesse Colin Young, and rentals such as the Judy Collins, Fences, American Vinyl, that patrons who attended these productions, shopped, dined and stayed in the area. Our weekend movie operation

brings folks to the village to shop and dine. Our Dinner and a Movie partnership with the Prince and Pauper Restaurant has brought in a reliable early dining crowd particularly for the Monday screenings.

In August we look forward to a sold-out concert by Natalie Merchant. We also look forward to Fall rental to the Middlebury Opera for a full-scale professional production of TOSCA. As noted above, the revenue potential is limited by our outdated technical equipment. It remains true that today's improved audio and lighting technologies have resulted in an increased demand from artists and patrons alike. The upgrades will also offer Pentangle's rental clients (a vital source of revenue) access to sound and lighting systems that will uniformly fit their needs rather than onerously requiring Pentangle to rent the equipment.

Lastly, Pentangle needs to remain competitive with the other arts organizations in the area. We know we have lost opportunities picked up by the new Northern Stage, and the Grange Theatre in South Pomfret. Our own Billings Farm and Museum now has a digital projector and screens feature films.

**Project Timeline: Please explain the overall timeline for your project as well as the specific steps required to achieve your goals. Please list specific dates if they've been identified. (150 words)**

We hope to match the Byrne Foundation Match by mid-summer, purchase and install upgrades by mid-September.

**Project Champion: Who is championing this project, what is their role in the community, and why are they leading this work? (100 words)**

Dorothy Byrne, individual donors, and other grantors. A targeted mailing went out in early May which to dated as raised \$3,500. A grant application was submitted to the Mascoma Foundation in late April. With the support and assistance of Pentangle's Board of Trustees a series of meetings will begin mid-June with other high capacity donors.

**What will success look like? Please explain how you will know that you've achieved your goals. (250 words)**

Matching the grant in the timeline above will enable us to retool our rental package and broaden and enhance the marketing and promotion to promoters for big name rentals.

Pentangle can increase programming with increased revenues.

Improvement in the movie going experience can attract patrons who might go to our competitors across the Upper Valley.

Concession income will increase with a more appealing look, and a more efficient infrastructure.

Pentangle can begin plans to produce another big production with a sizable reduction in production expense, for the following reasons:

- Reduction in equipment rental significantly reduces the labor cost of installing rentals and restoring light plot at the close of a show.
- Sound enhancements reduce the need to rent a sound board that can cost up to \$2,000 depending on the length of the show's run.
- Big shows give Pentangle the opportunity to partner with area businesses to attract thousands of patrons to Woodstock

Project Budget Narrative: What will the grant funds be spent on? (200 words)

LED Cyc Units	\$24,300	Sound Processors for Projector	\$2,400
LED Base Units (12)	\$18,000	Carpet Repair	\$3,000
LED Over Stage Units (24)	\$21,800	Concession Stand Upgrades	<u>\$3,000</u>
Lighting Console	\$10,000	TOTAL	\$100,000
Sound Console and Monitors	\$17,500		

These costs include the labor involved in the removal of the current equipment and installation of the new equipment.

Project Budget – Itemized. Please break-down/categorize the total project costs:

Income Category	Total	Applicant	EDC	Other	In-Kind
Grants from Foundations	20,000		20,000		
Individual Donors	10,000				
<b>Total Income</b>	<b>30,000</b>		<b>20,000</b>		
Expense Category	Total	Applicant	EDC	Other	In-Kind
See above					
<b>Total Expenses</b>					

Additional lines may be added or you may attach an itemized project budget. Please include both expenses and revenue, including pending and secured support. Material and labor in-kind support should be identified but might not be considered as matching funds.

## **Community Value**

Your answers to the following questions will help the EDC evaluate your grant application according to the published funding rubric.

### **Tell us how your project enhances the beauty or improves the quality of life for Woodstock residents and visitors? (200 words)**

Pentangle Arts has been at the heart of a thriving arts and culture sector in the Woodstock, Vermont area since 1974 and has consistently been cited as a cornerstone of the high local quality of life that attracts residents and visitors alike. Pentangle cultivates an appreciation of the arts through performances of all genres of music, Community Theater, dance, film and the visual arts.

Woodstock is a destination town. We have a vision albeit in phases to make the Woodstock Town Hall Theatre, the largest public space in the village, a destination theatre.

Growth in Pentangle Arts programming will have a positive social, economic and cultural impact on our community.

Social in that we bring people together for a shared artistic experience which leads to a greater sense of connectedness. There is plenty of data on the health benefits of an enjoyable shared experience especially in this digital age where people are more alone as they connect with the world on a device. In addition, we know from the feedback we receive that youth attending our camps and residencies are connecting with peers in a completely different settings, allowing them to express themselves in a way that instills confidence by engaging in activities that are outside their comfort zone. We also build social capital by getting people involved and connecting artists to educators and students.

Economic impacts include the delivery of diverse, engaging programming to our cash strapped schools, especially those who have cut arts funding. In addition, performances attract families to our venue who often, shop, dine and stay in the area. Lastly, we know that our arts programming in and outside of the schools attracts new families moving from more urban areas where there is an abundance of artistic opportunities and offerings.

The cultural impact of Pentangle's includes raising issues of tolerance, race, inclusivity and diversity; topics that remain relevant especially in a state that continues to wrestle with racial bias.

### **In what way will the proposed project contribute to the Woodstock's economic vitality? (150 words)**

Increased programming from live musical productions that span two weekends, to rentals such as Natalie Merchant, to the 42 weekends of feature film screenings, attract folks from all over the Upper Valley and beyond to the village of Woodstock. An excellent example is the Natalie Merchant concert which sold out in two hours. Patrons are literally coming from across the country to see her in our intimate setting. Those folks will eat, dine and stay in the area. As an organization we pride ourselves in our collaboration with area businesses such as the Worthy Kitchen, purveyors of our concession for concerts by the River on the back lawn of the North Chapel; the over 20 movie sponsors who advertise their businesses on our pre-movie reel; The Prince and Pauper our host for the Holiday House Tour Reception over Wassail Weekend; The Woodstock Inn and Resort, our co-presenter of the VSO Summer Festival Tour.

### **Will the proposed project attract new residents to Woodstock? If yes, explain how. (150 words)**

As noted above many of our new residents come from urban centers where there is a plethora of artistic opportunities. New residents, and seasonable homeowners take advantage of Pentangle's programming by attending the movies, performances and enrolling their children in our after school and summer camps.

**Tell us about existing community support for this project. How have community members been engaged in decision-making regarding this idea or project? (150 words) You may attach a Letter of Support in addition to or in lieu of this question.**

In order to meet this deadline, this application is being submitted before neighborhood meetings, and before individuals' donors have had a chance to respond.

Having said that, support from the community includes our 2018-2019 sponsors; Worthy Kitchen, Yankee Bookstore, Farmhouse Pottery, Kedron Valley Inn, Billings Farm and Museum, Kedron Valley Veterinary Clinic, The Barnard Inn, The Woodstock Pharmacy, and Unicorn.

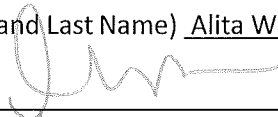
**Does the project have adequate funding for now and future years? (150 words)**

There is no funding needed for the future and maintenance and upkeep of the equipment is in the organizations operating budget.

Please attach any supporting information, including letters of reference or other relevant information.

Signature indicates that you have read and agreed to the EDC Community Grant Guidelines 2019.

Submitted by: (First and Last Name) Alita Wilson

Signature: 

Date: May 29, 2019

Drafted 12/4/2018

*Janice Graham & Company, P.C.*

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*Certified Public Accountants*

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PENTANGLE ARTS COUNCIL  
REVIEWED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

PENTANGLE ARTS COUNCIL  
FINANCIAL STATEMENTS  
JUNE 30, 2018

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*Janice Graham*  
& COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of  
Pentangle Arts Council

We have reviewed the accompanying financial statements of Pentangle Arts Council (a Vermont nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Summarized Comparative Information**

We previously reviewed Pentangle Arts Council's 2017 financial statements and in our conclusion dated January 4, 2018 stated that based on our review, we were not aware of any material modifications that should be made to the 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

**Supplementary Information**

The supplementary information included in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

*Janice Graham & Company, P.C.*  
November 4, 2018  
Reg. #665

PENTANGLE ARTS COUNCIL  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,678	\$ 56,954
Accounts receivable	7,745	5,516
Grants receivable	77,600	68,450
Prepaid expenses	1,944	768
Inventory	469	400
Total current assets	<u>99,436</u>	<u>132,088</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment - Town Hall Theater	246,614	246,614
Office equipment	17,576	17,576
Construction in process	-	41,732
Less - accumulated depreciation	<u>(234,719)</u>	<u>(214,343)</u>
Total property and equipment, net	29,471	91,579
<b>OTHER ASSETS</b>		
Cash designated for reserves	29,228	-
Investments - unrestricted	10,766	-
Cash and investments - restricted	-	56,863
Website, net of amortization	4,035	8,877
Total other assets	<u>44,029</u>	<u>65,740</u>
<b>TOTAL ASSETS</b>	<u>\$ 172,936</u>	<u>\$ 289,407</u>
<b><u>LIABILITIES &amp; NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 20,000	\$ -
Accounts payable	15,752	5,136
Accrued wages and payroll taxes	1,914	2,660
Deferred revenue	11,669	-
Other current liabilities	7,908	7,593
Capital leases and notes payable, current portion	1,732	1,412
Total current liabilities	<u>58,975</u>	<u>16,801</u>
<b>LONG TERM LIABILITIES</b>		
Capital leases and notes payable, net of current portion	2,673	4,173
Total long-term liabilities	<u>2,673</u>	<u>4,173</u>
<b>TOTAL LIABILITIES</b>	61,648	20,974
<b>NET ASSETS</b>		
Unrestricted	(12,301)	143,119
Temporarily restricted	123,589	125,314
<b>TOTAL NET ASSETS</b>	<u>111,288</u>	<u>268,433</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 172,936</u>	<u>\$ 289,407</u>

See independent accountants' review report and accompanying notes to financial statements.

PENTANGLE ARTS COUNCIL  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total	2017 Total
<b><u>REVENUES, GAINS, LOSSES AND OTHER SUPPORT</u></b>				
Program revenues	\$ 243,375	\$ -	\$ 243,375	\$ 194,423
Grants and contributions	152,023	77,600	229,623	328,362
Fundraising and special events	35,418	-	35,418	22,495
Rental income	3,640	-	3,640	22,455
Dividend and interest income	742	-	742	291
Realized and unrealized investment gains	670	-	670	828
Net assets released from restrictions	79,325	(79,325)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>515,193</b>	<b>(1,725)</b>	<b>513,468</b>	<b>568,854</b>
 <b><u>EXPENSES AND LOSSES</u></b>				
Program expenses	482,555	-	482,555	354,797
Management and general expenses	93,410	-	93,410	116,197
Fundraising expenses	44,116	-	44,116	41,550
Loss on abandonment of renovation project	50,532	-	50,532	-
<b>TOTAL EXPENSES AND LOSSES</b>	<b>670,613</b>	<b>-</b>	<b>670,613</b>	<b>512,544</b>
<b>CHANGE IN NET ASSETS</b>	(155,420)	(1,725)	(157,145)	56,310
<b>NET ASSETS AT BEGINNING OF YEAR</b>	143,119	125,314	268,433	212,123
<b>NET ASSETS AT END OF YEAR</b>	\$ (12,301)	\$ 123,589	\$ 111,288	\$ 268,433

See independent accountants' review report and accompanying notes to financial statements.

PENTANGLE ARTS COUNCIL  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	2018	2017
Change in Net Assets	\$ (157,145)	\$ 56,310
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation expense	20,377	20,396
Amortization expense	4,841	4,842
Net investment gain	(670)	(828)
Reinvested reserve fund dividends	(742)	-
Stock donations	(3,160)	(826)
Loss on abandonment of renovation project	50,532	-
(Increase) Decrease in:		
Accounts receivable	(2,229)	(4,811)
Grants receivable	(9,150)	(1,000)
Prepaid expenses	(1,176)	2,646
Inventory	(69)	-
Increase (Decrease) in:		
Accounts payable	10,557	(16,883)
Deferred revenue	11,669	(8,268)
Other current liabilities	315	(612)
Accrued wages & payroll liabilities	(746)	(1,611)
Net Cash Provided by Operating Activities	(76,796)	49,355
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer to reserved funds account	(22,000)	-
Investment in renovation project	(8,800)	(13,118)
Net Cash Used by Investing Activities	(30,800)	(13,118)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	20,000	-
Repayment of debt	(1,180)	(951)
Release of reserved cash	43,500	7,227
Net Cash Provided by Financing Activities	62,320	6,276
 Net increase (decrease) in cash	(45,276)	42,513
Cash - Beginning of Year	56,954	14,441
Cash - End of Year	\$ 11,678	\$ 56,954

See independent accountants' review report and accompanying notes to financial statements.

PENTANGLE ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Pentangle Arts Council (Pentangle) is a Vermont nonprofit corporation organized in 1974 to provide arts programming and education for the community of Woodstock, Vermont and its surrounding towns. Pentangle presents professional touring artists in music, theater and dance to an audience of over 15,000 people annually. The Arts in Education program serves as many as 22 schools, reaching over 10,000 students through artists' residencies, workshops and lecture demonstrations in dance, theater, music, and other visual and performing arts. Pentangle also manages the historic Woodstock Town Hall Theatre for the community and screens first run films, and documentaries. Pentangle supports other area non-profits by donating movie passes and tickets for fundraisers and scholarships to the local high school. Pentangle offers free Brown Bag concerts on the lawn behind the Woodstock History Center during the summer as well as an annual free classical series. Pentangle partners with the Woodstock Inn and Woodstock Area Chamber of Commerce by providing programming for Woodstock's Wassail Weekend. Pentangle is supported through admissions and performance fees, movie ticket and concession sales, public contributions, corporate sponsorships and grants.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. 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 financial statements of Pentangle for the year ended June 30, 2017, from which the summarized information was derived.

**Basis of Presentation**

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, "Financial Statements of Not-For-Profit Organizations". Under this standard Pentangle reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Pentangle has no permanently restricted net assets.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Pentangle considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. The Organization has cash that is not available for operations, and therefore it is restricted and designated for reserves.

**Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has deemed all receivables collectible as of June 30, 2018 and 2017.

PENTANGLE ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**Pledges and Grants receivable**

Pledges and grants receivable are recorded at their fair value in the period the promise or grant is given. Grants receivable consist of amounts promised by the Town of Woodstock and other surrounding towns to provide funding for the fiscal year beginning July 1. All pledges and grants receivable were deemed collectible and therefore, no allowance is necessary.

**Inventories**

Inventory consists of candy, soda, and related products sold at the concession stand on hand as of June 30, 2018 and 2017 which is stated at the lower of cost or market on a first-in, first-out basis.

**Investments**

Pentangle's investments are carried at fair value, as established by the major securities markets.

Purchases and sales of securities are recorded on trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income and realized and unrealized gains and losses are reflected in the statement of activities as unrestricted revenue.

**Fair Value Measurements**

Pentangle reports under the Fair Value Measurements, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

**Level 1** – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

**Level 2** – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes practical expedient investments with redemption periods of 90 days or less.

**Level 3** – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. Level 3 also includes practical expedient investments with redemption periods of more than 90 days.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Cash or cash equivalent money market funds:* Valued at acquisition cost, which approximates fair value.

*Mutual funds, common stocks, unit investment equities, and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The carrying amount of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short maturity of these instruments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Pentangle believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PENTANGLE ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

Restricted cash and investments

The balance of restricted cash and investments represents donations to Pentangle that are restricted to a specific purpose by the donors.

Property and equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of property and equipment using the straight line method, which range from five to forty years. Pentangle has adopted a capitalization policy that requires capitalization of assets with a useful life of more than one year and a cost basis of \$2,500 or more. Depreciation expense for the years ending June 30, 2018 and 2017 was \$20,377 and \$20,396 respectively.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. If the donor stipulates how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Pentangle is amortizing the cost of website development incurred in 2014 over a thirty six month period. Amortization expense for the years ending June 30, 2018 and 2017 was \$4,841.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or interpretation of law. Expiration of temporary restrictions on net assets by fulfillment of the donor stipulated purpose, or by passage of the stipulated time period are reported as reclassifications between applicable classes of net assets.

Deferred revenue represents receipts held by Pentangle for performances and fundraising events that were scheduled to take place after the end of the fiscal year.

Contributions and promises to give

Contributions, including unconditional promises to give, are initially recorded as revenues at fair value in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions other than cash are recorded at their estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted contributions.

Donated services

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

Unpaid officers, board members, and volunteers conduct a significant portion of Pentangle's functions. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition in Pentangle's financial statements.

During the fiscal year ended June 30, 2018 Pentangle received donated lodging for the cast of its spring production of *Hair*. The fair market value of these contributions totaled \$25,827 which has been included in grants and contributions revenue and direct program expense – Mainstage in these financial statements.

PENTANGLE ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

Income Tax Status

Pentangle is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Pentangle’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, Pentangle qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Pentangle files Form 990-T to report revenues and expenses derived from its operation of the Town Hall Movie Theater. For the years ended June 30, 2017 and 2016 Pentangle had no income tax liability for that activity other than the minimum entity tax of \$300 per year assessed by the Vermont Department of Taxes on not-for-profit entities that file the Federal form 990-T.

Pentangle follows FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management believes that Pentangle has no material uncertain tax positions.

Pentangle is subject to income tax examinations by the U.S. Treasury and the Vermont Department of Taxes for fiscal years after June 30, 2014. Pentangle’s open tax years are 2015-2018.

Pentangle will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of Pentangle.

Advertising costs

Pentangle uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

**NOTE 2: INVESTMENTS**

Investments at fair value consisted of the following at June 30:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs	Total
<u>2018</u>	Level 1	Level 2	Level 3	
Domestic Common Stocks	\$ 10,766	\$ -	\$ -	\$ 10,766
	<hr/>	<hr/>	<hr/>	<hr/>
<u>2017</u>				
Domestic Common Stocks	6,935	-	-	6,935
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 5,281	\$ -	\$ -	\$ 5,281
	<hr/>	<hr/>	<hr/>	<hr/>

PENTANGLE ARTS COUNCIL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

**NOTE 3: SHORT TERM DEBT**

On June 1, 2018 Pentangle obtained a loan from a local financial institution in the amount of \$20,000 for working capital needs. The loan is for a period of one year, with the balance plus any accrued interest due on June 1, 2019. The per annum variable interest rate is based on the Wall Street Journal Prime rate, initially 4.75%. Terms of the loan allow for an interest rate change to occur no more than monthly. The loan is secured by all business assets of Pentangle. The full amount of the loan, \$20,000 was outstanding at June 30, 2018.

**NOTE 4: CAPITAL LEASE**

Pentangle has office equipment under a capital lease agreement. The economic substance of the lease is that Pentangle has financed the acquisition of the equipment through the lease and accordingly, the equipment is recorded as an asset and the lease is recorded as a liability. Amortization of the asset held under the capital lease is included with depreciation expense.

The following is an analysis of the leased asset included in property and equipment:

	2018	2017
Office equipment	\$7,810	\$7,810
Less: accumulated depreciation	(4,035)	(2,473)
Net book value, leased equipment	\$3,775	\$5,337

The equipment lease expires in 2021. The following is a schedule by years of future minimum lease payments required under the lease together with the present value as of June 30, 2018.

Years ending June 30:	
2019	\$1,980
2020	1,980
2021	1,320
Total future minimum lease payments	\$5,280
Less: amount representing interest	( 875)
Present value of minimum lease payments	\$4,405

**NOTE 5: LEASES**

In July 2017 Pentangle signed a lease for the Town Hall Theater, office and storage space, with the Town of Woodstock for a period of 35 years. Annual rent of \$11,100 to be increase based on the New England C.P.I. In addition, Pentangle is responsible for certain additional rent which consists of electricity for certain areas of the building associated with the performance spaces and concession area, as well as the repairs and maintenance to those same areas. Rent for the years ended June 30, 2018 and 2017 was \$11,000 and \$14,040, respectively.

**NOTE 6: ECONOMIC DEPENDENCE**

Pentangle receives annual funding in support of its programming from the Town of Woodstock and other surrounding towns, as voted by their taxpayers. For the years ended June 30, 2018 and 2017 Pentangle received 14.75% and 11.75% of its funding respectively from the Town of Woodstock, Vermont.

PENTANGLE ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**NOTE 7: STATEMENT OF CASH FLOWS**

Pentangle presents its cash flow statement using the indirect method. Cash paid for interest totaled \$712 for the year ended June 30, 2018 and \$697 for the year ended June 30, 2017. Cash paid for income taxes (Vermont minimum entity tax) was \$300 for the years ended June 30, 2018 and 2017.

Pentangle's non-cash investing and financing activities for the year ended June 30, 2018 consisted of the following:

- Received stock donations with a fair market value of \$3,160
- Fair market value of donated lodging \$25,827

Pentangle's non-cash investing and financing activities for the year ended June 30, 2017 consisted of the following:

- Received stock donations with a fair market value of \$827

**NOTE 8: SUBSEQUENT EVENTS**

In September 2018 the donors of the August 1994 gift that was originally restricted to classical music performances and programming removed those restrictions. Between July 1, 2018 and the date of this release, Pentangle had expended \$13,500 for classical music programming, leaving a balance of \$32,489. Consequently Pentangle's temporarily restricted net assets were decreased by \$32,489 and unrestricted net assets were increased by the same amount.

**NOTE 9: DATE OF MANAGEMENT REVIEW**

Management has evaluated subsequent events through November 4, 2018 the date the financial statements were available to be issued.

PENTANGLE ARTS COUNCIL  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2018  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2017 Total</u>
<b>EXPENSES:</b>					
Personnel expenses	\$ 72,066	\$ 38,249	\$ 31,137	\$ 141,452	\$ 148,019
Direct expenses - mainstage performances	220,100	-	-	220,100	140,901
Direct expenses - town hall theater	40,548	-	-	40,548	46,825
Direct expenses - arts in education	21,817	-	-	21,817	6,117
Direct expenses - other programs	37,126	-	-	37,126	20,649
Marketing and advertising	17,569	6,239	-	23,808	13,265
Credit card commissions	12,193	194	-	12,387	4,834
Donations	-	72	-	72	750
Repairs and maintenance	2,893	2,537	-	5,430	992
Contract services	13,376	-	-	13,376	8,560
Printing and publications	-	2,172	-	2,172	10,162
Office supplies	-	1,506	-	1,506	2,680
Insurance	2,381	1,127	-	3,508	2,686
Telephone	-	3,834	-	3,834	3,180
Software and online services	-	3,445	-	3,445	6,132
Equipment	-	4,884	-	4,884	6,266
Professional fees	-	18,579	-	18,579	18,333
Postage	67	1,070	405	1,542	1,940
Rent	8,436	2,564	-	11,000	14,040
Utilities	10,066	-	-	10,066	11,748
Conferences and workshops	-	-	-	-	77
Interest	-	712	-	712	697
Other expenses	300	4,625	-	4,925	4,452
Fundraising	-	-	12,574	12,574	14,001
Depreciation	18,776	1,601	-	20,377	20,396
Amortization	4,841	-	-	4,841	4,842
<b>Total expenses</b>	<b>\$ 482,555</b>	<b>\$ 93,410</b>	<b>\$ 44,116</b>	<b>\$ 620,081</b>	<b>\$ 512,544</b>

See independent accountants' review report

Pentangle Arts Council  
Profit & Loss Budget Performance  
July 2017 through June 2018

	<u>Jun 18</u>	<u>Budget</u>	<u>Jul '17 - Jun 18</u>	<u>YTD Budget</u>	<u>Annual Budget</u>
Ordinary Income/Expense					
Income					
Investment Income					
5320 · Interest, dividend and cap gain	774.64		3,419.57		
Total Investment Income	774.64		3,419.57		
4000 · Direct Contributions Revenue					
4010 · Individual contributions					
Stock Donations	1,152.45	166.67	1,152.45	2,000.00	2,000.00
4010 · Individual contributions - Other	3,093.04	5,666.67	109,337.32	68,000.00	68,000.00
Total 4010 · Individual contributions	4,245.49	5,833.34	110,489.77	70,000.00	70,000.00
4000 · Direct Contributions Revenue - Other	0.00	0.00	250.00	0.00	0.00
Total 4000 · Direct Contributions Revenue	4,245.49	5,833.34	110,739.77	70,000.00	70,000.00
4100 · Donated goods & services rev.					
Donated Services	0.00	625.00	150.00	7,500.00	7,500.00
4100 · Donated goods & services rev. - Other	0.00		6,566.00		
Total 4100 · Donated goods & services rev.	0.00	625.00	6,716.00	7,500.00	7,500.00
4200 · Non-government grants revenue					
4230 · Foundation/trust grants	0.00	2,541.67	4,500.00	30,500.00	30,500.00
Total 4200 · Non-government grants revenue	0.00	2,541.67	4,500.00	30,500.00	30,500.00
4500 · Government grants revenue					
4501 · Woodstock Town Funds revenue	0.00	6,232.50	67,500.00	74,790.00	74,790.00
4540 · Local grants revenue	0.00	216.67	1,800.00	2,600.00	2,600.00
Total 4500 · Government grants revenue	0.00	6,449.17	69,300.00	77,390.00	77,390.00
5100 · Program Revenue					
Admissions	0.00	2,500.00	42,600.46	30,000.00	30,000.00
Admissions THT					
6 for 36 income	0.00	0.00	0.00	0.00	0.00
Admissions THT - Other	0.00	0.00	0.00	0.00	0.00
Total Admissions THT	0.00	0.00	0.00	0.00	0.00
Hair Admissions	0.00	4,000.00	44,397.34	48,000.00	48,000.00
Miscellaneous (concess/merch)	0.00		132.04		
Programming - THT					
Concessions THT	1,230.69	1,500.00	18,529.63	18,000.00	18,000.00
Movie Sponsors	225.00	1,083.33	13,255.54	13,000.00	13,000.00
Movie Tickets/Prepaid Admission	5,733.37	5,750.00	62,722.55	69,000.00	69,000.00
5455 · Rental Income THT	2,180.00	666.67	7,698.13	8,000.00	8,000.00
Total Programming - THT	9,369.06	9,000.00	102,205.85	108,000.00	108,000.00
Sponsorships					
5121 · Hair Sponsorship	0.00	2,916.67	43,500.00	35,000.00	35,000.00
Sponsorships - Other	2,000.00	1,166.67	6,550.00	14,000.00	14,000.00
Total Sponsorships	2,000.00	4,083.34	50,050.00	49,000.00	49,000.00
Ticket Delivery Fee	7.50		41.75		
Ticket Service Charge	68.50		395.25		
5150 · Tuition	1,852.92	333.33	7,622.92	4,000.00	4,000.00
Total 5100 · Program Revenue	13,297.98	19,916.67	247,445.61	239,000.00	239,000.00
5200 · Membership revenue	100.00	83.33	10,509.00	1,000.00	1,000.00
5450 · Advertising revenue	0.00	666.67	3,860.00	8,000.00	8,000.00
5800 · Special events/benefits revenue	0.00	2,916.67	35,407.00	35,000.00	35,000.00
Total Income	18,418.11	39,032.52	491,896.95	468,390.00	468,390.00

Pentangle Arts Council  
Profit & Loss Budget Performance  
July 2017 through June 2018

	<u>Jun 18</u>	<u>Budget</u>	<u>Jul '17 - Jun 18</u>	<u>YTD Budget</u>	<u>Annual Budget</u>
Gross Profit	18,418.11	39,032.52	491,896.95	468,390.00	468,390.00
Expense					
7000 · Personnel-related expenses					
7200 · Salaries & related expenses					
Payroll - Admin					
7210 · Director's Salary	4,696.11	4,031.33	53,850.09	48,376.00	48,376.00
7220 · Office	2,585.50	2,890.00	34,584.83	34,680.00	34,680.00
7221 · Health Savings Account	333.00	333.33	1,998.00	4,000.00	4,000.00
7224 · Bookkeeper	0.00		2,337.47		
7225 · Payroll-Admin-Other	-600.00	116.67	8,244.60	1,400.00	1,400.00
Total Payroll - Admin	7,014.61	7,371.33	101,014.99	88,456.00	88,456.00
Payroll - Program					
Payroll - Theater					
7240 · Concession	357.99	500.00	6,781.22	6,000.00	6,000.00
7250 · Manager	346.70	875.00	8,795.50	10,500.00	10,500.00
7260 · Projectionist	712.32	416.67	8,468.56	5,000.00	5,000.00
Total Payroll - Theater	1,417.01	1,791.67	24,045.28	21,500.00	21,500.00
Payroll Main Stage					
7270 · House Manager	0.00		441.04		
7275 · Technical Director	728.57		1,928.57		
Total Payroll Main Stage	728.57		2,369.61		
Total Payroll - Program	2,145.58	1,791.67	26,414.89	21,500.00	21,500.00
Payroll Taxes					
7290 · FICA	547.29	685.92	7,776.82	8,231.00	8,231.00
7291 · Medicare	127.96	50.00	1,818.75	600.00	600.00
7295 · SUI	50.35	83.00	869.73	996.00	996.00
7952 · IRS Penalties	0.00	41.67	0.00	500.00	500.00
Total Payroll Taxes	725.60	860.59	10,465.30	10,327.00	10,327.00
7285 · Payroll service fees	167.10	197.67	2,066.37	2,372.00	2,372.00
Total 7200 · Salaries & related expenses	10,052.89	10,221.26	139,961.55	122,655.00	122,655.00
7500 · Contract services expenses	2,253.00	2,916.67	62,422.91	35,000.00	35,000.00
Total 7000 · Personnel-related expenses	12,305.89	13,137.93	202,384.46	157,655.00	157,655.00
8000 · Non-personnel expenses					
Artist Fees	2,800.00	3,066.67	134,078.99	36,800.00	36,800.00
Bad Debt Expenses	826.96		2,559.96		
Bank Service Charges	20.00		162.33		
Booking Fees	0.00	216.67	2,600.00	2,600.00	2,600.00
Concessions	502.94	750.00	9,032.69	9,000.00	9,000.00
Conference/Workshops	0.00	20.83	0.00	250.00	250.00
Donations	0.00		2,522.00		
Dues and Subscriptions	576.52	208.33	12,546.87	2,500.00	2,500.00
Equipment	287.26		2,474.11		
Film Delivery	119.85	166.67	2,143.51	2,000.00	2,000.00
Film Rental	2,721.63	2,333.33	25,924.25	28,000.00	28,000.00
Finance Charges	0.00	8.33	11.58	100.00	100.00
HAIR Total Expense	0.00	10,333.33	0.00	124,000.00	124,000.00
Hospitality & lodging	3,070.00	333.33	34,002.28	4,000.00	4,000.00
Insurance					
Directors & Officers	193.10	96.67	1,488.51	1,160.00	1,160.00

Pentangle Arts Council  
Profit & Loss Budget Performance  
July 2017 through June 2018

	<u>Jun 18</u>	<u>Budget</u>	<u>Jul '17 - Jun 18</u>	<u>YTD Budget</u>	<u>Annual Budget</u>
Professional Liability	221.11	256.58	2,380.61	3,079.00	3,079.00
Workers Comp	-79.00	466.67	1,315.00	5,600.00	5,600.00
Total Insurance	335.21	819.92	5,184.12	9,839.00	9,839.00
Interest Expense	65.06		65.06		
Marketing/advertising	3,090.91	1,250.00	24,070.14	15,000.00	15,000.00
Meals and Entertainment	246.25	33.33	585.91	400.00	400.00
Miscellaneous Expense	-144.47		-180.21		
Office Equipment	1,060.98	166.67	1,060.98	2,000.00	2,000.00
Office Supplies	90.55	83.33	1,505.95	1,000.00	1,000.00
Penalty & Interest	0.00	33.33	0.00	400.00	400.00
Postage	189.99	191.67	1,542.20	2,300.00	2,300.00
Printing & publications	469.39	916.67	9,606.01	11,000.00	11,000.00
Prior Restricted Grant Released	0.00		0.00		
Production Expenses	605.00	625.00	43,222.44	7,500.00	7,500.00
Rent	825.00	916.67	11,000.00	11,000.00	11,000.00
Rental Total Expenses	0.00		1,137.89		
Repairs & Maintenance	7,005.69	333.33	14,230.92	4,000.00	4,000.00
Scholarships	700.00	41.67	700.00	500.00	500.00
Software & online services	741.79	166.67	3,444.56	2,000.00	2,000.00
Special events/prod. expenses	0.00	458.33	174.34	5,500.00	5,500.00
Supplies	19.86	166.67	1,157.85	2,000.00	2,000.00
Technical Supplies	0.00		1,221.16		
Telephone & internet	630.11	264.92	3,833.51	3,179.00	3,179.00
Travel	-238.20		4,567.19		
Utilities	965.09	1,000.00	10,066.21	12,000.00	12,000.00
Vermont Income Taxes	0.00	25.00	300.00	300.00	300.00
Water Cooler Rental	0.00	30.00	270.00	360.00	360.00
Website Expense	50.00	50.00	1,019.88	600.00	600.00
Total 8000 · Non-personnel expenses	27,633.37	25,010.67	367,844.68	300,128.00	300,128.00
8200 · Credit Card Processing Expenses					
8220 · Vendini Service Fee per use	130.84	208.33	6,550.15	2,500.00	2,500.00
8225 · Square Service Fee Per Use	61.40	50.00	1,274.31	600.00	600.00
8230 · Merchant account fees	434.02	308.33	5,411.49	3,700.00	3,700.00
8240 · Card Processor Rental	34.38	25.00	437.56	300.00	300.00
8200 · Credit Card Processing Expenses - Other	0.00		3.14		
Total 8200 · Credit Card Processing Expenses	660.64	591.66	13,676.65	7,100.00	7,100.00
Total Expense	40,599.90	38,740.26	583,905.79	464,883.00	464,883.00
Net Ordinary Income	-22,181.79	292.26	-92,008.84	3,507.00	3,507.00
Other Income/Expense					
Other Expense					
Prior Period Adjustments (Feasibility Study Costs)	41,731.88		41,731.88		
Total Other Expense	41,731.88		41,731.88		
Net Other Income	-41,731.88		-41,731.88		
Net Income	-63,913.67	292.26	-133,740.72	3,507.00	3,507.00