

Fund for the Arts
Financial Statements
Years Ended June 30, 2020 and 2019

**Fund for the Arts
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Years Ended June 30, 2020 and 2019**

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Independent Auditor's Report

To the Board of Directors
Fund for the Arts

We have audited the accompanying financial statements of Fund for the Arts (the "Fund"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MCM CPAs & Advisors LLC

Louisville, Kentucky

August 18, 2020

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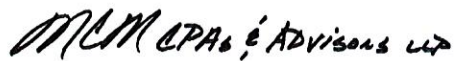
Independent Auditor's Report (Continued)

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Louisville, Kentucky

August 18, 2020

Fund for the Arts
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,147,646	\$ 1,359,777
Investments	1,333,052	1,306,462
Contributions receivable, net of discounts and allowance for uncollectible pledges of approximately \$240,000 and \$260,000 for 2020 and 2019, respectively	4,217,686	5,493,278
Note receivable from FFTA Properties, Inc.	191,812	172,791
Other assets	20,881	64,345
Property and equipment, net	<u>594,618</u>	<u>591,527</u>
Total assets	<u><u>\$ 7,505,695</u></u>	<u><u>\$ 8,988,180</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 145,203	\$ 128,127
Grants payable	565,300	453,944
Refundable advance	<u>208,500</u>	<u>-</u>
Total liabilities	919,003	582,071
Net assets		
Without donor restriction		
Available for subsequent year's operating expenses, special projects and sustaining impact grants	3,567,070	4,726,040
Invested in property and equipment	<u>594,618</u>	<u>591,527</u>
Total without donor restrictions	4,161,688	5,317,567
With donor restriction	<u>2,425,004</u>	<u>3,088,542</u>
Total net assets	<u>6,586,692</u>	<u>8,406,109</u>
Total liabilities and net assets	<u><u>\$ 7,505,695</u></u>	<u><u>\$ 8,988,180</u></u>

See accompanying notes.

Fund for the Arts
Statement of Activities
Year Ended June 30, 2020 with Comparative Totals as of June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and gains				
Contribution revenues				
Current year campaign	\$ 4,904,955	\$ 1,907,897	\$ 6,812,852	\$ 7,721,277
Fundraising events	-	-	-	551,293
Future year campaigns and other	(212,500)	(210,000)	(422,500)	(98,449)
Less amounts designated by donors for specific organizations	(356,127)	-	(356,127)	(505,183)
Total contribution revenues	4,336,328	1,697,897	6,034,225	7,668,938
Allowance for pledge discounts and uncollectible pledges	(384,892)	22,658	(362,234)	(251,098)
Net contribution revenues	3,951,436	1,720,555	5,671,991	7,417,840
Other public support and gains				
Investment income	49,803	4,515	54,318	64,776
Rental income, net	14,774	-	14,774	14,213
Miscellaneous	14,327	-	14,327	14,250
Total other public support and gains	78,904	4,515	83,419	93,239
Total public support and gains	4,030,340	1,725,070	5,755,410	7,511,079
Net assets released from restricted status upon satisfaction of program restrictions	2,388,608	(2,388,608)	-	-
Total public support and gains	6,418,948	(663,538)	5,755,410	7,511,079
Grants and expenses				
Undesignated grants				
Total grants	5,339,982	-	5,339,982	5,575,616
Less amounts designated by donors for specific organizations	(356,127)	-	(356,127)	(505,183)
Total undesignated grants	4,983,855	-	4,983,855	5,070,433
Program expenses	1,382,528	-	1,382,528	1,477,650
Total undesignated grants and program expenses	6,366,383	-	6,366,383	6,548,083
Other expenses				
Fundraising expenses	889,084	-	889,084	1,028,560
Management and general expenses	319,360	-	319,360	433,700
Total other expenses	1,208,444	-	1,208,444	1,462,260
Total grants and expenses	7,574,827	-	7,574,827	8,010,343
Changes in net assets	(1,155,879)	(663,538)	(1,819,417)	(499,264)
Net assets at beginning of year	5,317,567	3,088,542	8,406,109	8,905,373
Net assets at end of year	\$ 4,161,688	\$ 2,425,004	\$ 6,586,692	\$ 8,406,109

See accompanying notes.

Fund for the Arts
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and gains			
Contribution revenues			
Current year campaign	\$ 5,504,480	\$ 2,216,797	\$ 7,721,277
Fundraising events, net	53,200	498,093	551,293
Future year campaigns and other	(172,449)	74,000	(98,449)
Less amounts designated by donors for specific organizations	(505,183)	-	(505,183)
Total contribution revenues	4,880,048	2,788,890	7,668,938
Allowance for pledge discounts and uncollectible pledges	(275,000)	23,902	(251,098)
Returned grants	-	-	-
Net contribution revenues	4,605,048	2,812,792	7,417,840
Other public support and gains			
Investment income	57,610	7,166	64,776
Rental income, net	14,213	-	14,213
Miscellaneous	14,250	-	14,250
Total other public support and gains	86,073	7,166	93,239
Total public support and gains	4,691,121	2,819,958	7,511,079
Net assets released from restricted status upon satisfaction of program restrictions	3,189,644	(3,189,644)	-
Total public support and gains	7,880,765	(369,686)	7,511,079
Grants and expenses			
Undesignated grants			
Total grants	5,575,616	-	5,575,616
Less amounts designated by donors for specific organizations	(505,183)	-	(505,183)
Total undesignated grants	5,070,433	-	5,070,433
Program expenses	1,477,650	-	1,477,650
Total undesignated grants and program expenses	6,548,083	-	6,548,083
Other expenses			
Fundraising expenses	1,028,560	-	1,028,560
Management and general expenses	433,700	-	433,700
Total other expenses	1,462,260	-	1,462,260
Total grants and expenses	8,010,343	-	8,010,343
Changes in net assets	(129,578)	(369,686)	(499,264)
Net assets at beginning of year	5,447,145	3,458,228	8,905,373
Net assets at end of year	\$ 5,317,567	\$ 3,088,542	\$ 8,406,109

See accompanying notes.

Fund for the Arts
Statement of Functional Expenses
Year Ended June 30, 2020

	Program	Fundraising	Management and General	Total
Grants	\$ 4,983,855	\$ -	\$ -	\$ 4,983,855
Salaries and Benefits/Contract Labor	570,211	619,658	235,711	1,425,580
Occupancy	31,623	35,316	12,183	79,122
Special Events - Awards in the Arts				
Direct donor benefits	4,553	-	-	4,553
Other special events costs	-	-	-	-
Special Programs				
Arts in Health and Aging	32,018	-	-	32,018
ArtsMatch	-	1,188	-	1,188
Culinary	20,892	-	-	20,892
Imagine 2020	23,665	-	-	23,665
NeXt	4,679	-	-	4,679
Other special programs	-	-	-	-
Arts Showcase	15,182	-	-	15,182
Campaign Incentives/Entertainment	-	22,197	-	22,197
Data Processing/Impact and ECampaign Software	49,928	71,186	14,163	135,277
Capacity Building	209,383	-	-	209,383
Dues and Subscriptions	3,728	4,163	1,429	9,320
Events	44,976	(234)	-	44,742
Financial Service Fees	-	17,298	-	17,298
Insurance	8,808	9,837	3,376	22,021
Legal, Accounting and Other Consulting	-	-	25,800	25,800
Materials and Supplies	3,391	3,787	1,298	8,476
Meetings	9,449	8,748	7,627	25,824
Miscellaneous	1,583	1,769	94	3,446
Postage	6,674	7,453	2,558	16,685
Printing and Marketing (Including In-kind)	303,771	49,068	2,660	355,499
Raffle	-	1,341	-	1,341
Strategic Expenses and Branding	5,500	-	-	5,500
Telephone	9,954	11,116	3,815	24,885
Training and Development	7,412	8,277	2,841	18,530
Travel and Transportation	15,148	16,916	5,805	37,869
Totals per Statement of Activities (Page 4)	6,366,383	889,084	319,360	7,574,827
Campaign Grants Designated by Donors for Specific Organizations	356,127	-	-	356,127
Totals Including Designated Grants	\$ 6,722,510	\$ 889,084	\$ 319,360	\$ 7,930,954
Expense Ratios	85%	11%	4%	100%

See accompanying notes.

Fund for the Arts
Statement of Functional Expenses
Year Ended June 30, 2019

	Program	Fundraising	Management and General	Total
Grants	\$ 5,070,433	\$ -	\$ -	\$ 5,070,433
Salaries and Benefits	562,427	681,001	246,572	1,490,000
Occupancy	29,654	34,658	10,460	74,772
Special Events - Awards in the Arts				
Direct donor benefits	177,964	-	-	177,964
Other special events costs	38,695	28,106	-	66,801
Special Programs				
Arts in Health and Aging	13,166	-	-	13,166
ArtsMatch	-	5,242	-	5,242
Culinary	8,998	-	-	8,998
Imagine 2020	26,469	-	-	26,469
NeXt	11,438	-	-	11,438
Other special programs	4,261	-	-	4,261
Arts Showcase	23,342	-	-	23,342
Campaign Incentives/Entertainment	-	32,469	-	32,469
Data Processing/Impact and ECampaign Software	49,600	72,302	13,633	135,535
Capacity Building	-	-	-	-
Dues and Subscriptions	3,776	4,414	1,382	9,572
Events	82,662	16,065	-	98,727
Financial Service Fees	-	17,184	-	17,184
Insurance	9,506	11,111	3,479	24,096
Legal, Accounting and Other Consulting	-	-	23,000	23,000
Materials and Supplies	4,515	5,277	1,652	11,444
Meetings	18,073	16,888	10,153	45,114
Miscellaneous	1,500	1,752	1,068	4,320
Postage	8,647	10,107	3,165	21,919
Printing and Marketing (Including In-kind)	318,583	15,729	2,047	336,359
Raffle	-	25,850	-	25,850
Strategic Expenses and Branding	41,250	-	101,305	142,555
Telephone	10,590	12,378	3,876	26,844
Training and Development	9,915	11,589	3,629	25,133
Travel and Transportation	22,619	26,438	8,279	57,336
Totals per Statement of Activities (Page 5)	6,548,083	1,028,560	433,700	8,010,343
Campaign Grants Designated by Donors for Specific Organizations	505,183	-	-	505,183
Totals Including Designated Grants	\$ 7,053,266	\$ 1,028,560	\$ 433,700	\$ 8,515,526
Expense Ratios	83%	12%	5%	100%

See accompanying notes.

Fund for the Arts
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ (1,819,417)	\$ (499,264)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	86,370	81,315
Net unrealized and realized (gains) on investments	(1,347)	(12,647)
Allowance for pledge discounts and uncollectible pledges	362,234	251,098
Changes in		
Contributions receivable	913,358	7,026
Note receivable from FFTA Properties, Inc.	(9,898)	(8,809)
Other assets	43,464	(30,700)
Accounts payable and accrued expenses	17,076	(16,876)
Grants payable	111,356	(300,691)
Refundable advance	208,500	-
Payable to FFTA Properties, Inc.	<u>-</u>	<u>(50,000)</u>
Net cash used in operating activities	(88,304)	(579,548)
Cash flows from investing activities		
Proceeds from maturities and sale of investments	401,770	477,598
Purchases of investments	(427,013)	(480,565)
Purchase of property and equipment	(89,461)	(46,383)
Advances to FFTA Properties, Inc.	(64,000)	(17,500)
Payments from note receivable FFTA Properties, Inc.	<u>54,877</u>	<u>41,332</u>
Net cash used in investing activities	<u>(123,827)</u>	<u>(25,518)</u>
Net decrease in cash and cash equivalents	(212,131)	(605,066)
Cash and cash equivalents at beginning of year	<u>1,359,777</u>	<u>1,964,843</u>
Cash and cash equivalents at end of year	<u>\$ 1,147,646</u>	<u>\$ 1,359,777</u>

See accompanying notes.

Fund for the Arts
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note A - Nature of Organization and Operations

Fund for the Arts (the "Fund") is a regional nonprofit committed to building a vibrant community with the mission to maximize the impact of the arts on economic development, education and a better quality of life for everyone by generating resources, inspiring excellence, and creating community connections. With the help of nearly 16,000 donors, the Fund supports a range of arts and cultural organizations and individual artists and drives accessibility across neighborhoods, schools, community centers, senior care facilities, parks, libraries and public spaces.

The Fund, and our arts partners, provided arts in education programming to more than 200 schools and community arts and cultural organizations across the region. This includes funding for access to the arts, arts in education and operating grants. During the year ended June 30, 2018, the Fund approved and implemented a new strategic plan based on a community-wide cultural plan "Imagine Greater Louisville 2020." This strategic plan adopted the five strategic priorities identified in the cultural plan: Access, Cultivation, Education, Equity, Diversity and Inclusion, and Promotion. As part of the implementation of the strategic plan, the Fund replaced a prior general operating support grants process with new "sustaining impact grants", developed broader criteria for participation and opened the process to any charitable arts organization meeting the criteria and demonstrating alignment with the stated strategic priorities. Sustaining impact grants were awarded in both August 2019 and August 2018 to 23 arts organizations.

During the year ended June 30, 2020, the Fund expanded the traditional fundraising campaign to the Cultural Lou Recovery Campaign in response to the COVID-19 pandemic. The strategic pivot provided relief grants to individual artists and arts organizations and will provide recovery grants to both traditional arts organizations and cultural organizations. These grants will support arts, culture, history and heritage. In alignment with the Imagine 2020 priority of Diversity, Equity and Inclusion, the Fund also developed an Arts & Racial Equity Task Force to guide a conversation regarding the Fund's role to advance racial justice, advance racial equity across the arts and culture sector, and elevate the voices of black artists. Prior to the pandemic, the Fund partnered with the James Beard Foundation to create a Culinary Initiative recognizing the art of food. The Culinary Initiative provided grants to restaurants and supported culinary organizations with relief grants as part of the economic impact of the shutdowns related to COVID-19. The Culinary Initiative will also provide grants to Black owned restaurants.

Education programming funded includes EVERY Child Arts in Education Initiative where the goal is for every child in every year of their education to have an "arts experience". The Fund began ArtsMatch, a new grants pool utilizing an online crowd-funding platform to fund strategic priorities around the Imagine 2020 priorities. In response to the pandemic, in 2020 ArtsMatch was not project based rather a platform to support relief grants to individual artists and arts organizations. The Fund also conducts the Cultural Pass program where youth (through age 21) are encouraged to visit various participating cultural venues at no charge (with an accompanying adult) in an effort to combat learning loss over the summer and ensure maximum access to such experiences.

The Fund incurs direct program expenses in support of its mission including offering a range of community arts services designed to advocate for and extend the reach of the arts to the whole community; funds annual scholarships for students pursuing a career in the performing and visual arts; maintains a social media presence through Facebook, Twitter, and YouTube; hosts the free app "Louisville Arts Link" that serves as a central arts calendar and offers an Arts Card to encourage arts patronage; conducts "NeXt!", a leadership development program for young professionals interested in fostering corporate citizenship through volunteering and serving arts related organizations; and participates in other initiatives important to the success of the arts community such as the ArtSpace and the Bank of Louisville Community Room.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies

1. Basis of Presentation: The financial statements of the Fund are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.
2. Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
3. Subsequent Events: Subsequent events for the Fund have been considered through the date of the Independent Auditor's Report which represents the date which the financial statements were available to be issued.
4. Donor-Imposed Restrictions: The Fund records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. The Fund reports information regarding its financial position and activities according to the following net asset classification:
 - *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Fund's management and the board of directors.
 - *Net Assets with Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.
5. Cash Equivalents: Cash equivalents represent investments purchased with a maturity of 90 days or less, not designated for a specific purpose, and typically include money market funds utilized to invest cash on-hand in excess of daily requirements. The Fund typically maintains balances with banks in excess of federally insured limits.
6. Investments: Investments in certificates of deposit and money market accounts are stated at cost plus accrued interest, which approximates fair value. Other investments are recorded at fair value based upon quoted market prices. Realized and unrealized gains and losses are recorded in the statement of activities as incurred.
7. Property and Equipment: The Fund records all purchases of long-lived property and equipment in excess of \$1,000 at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

8. Functional Allocation of Expenses: The cost of programs and supporting services activities has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting serviced benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits/contract labor, office supplies, depreciation expense, and utilities, which are allocated on the basis of estimates of time and effort.

9. Income Taxes: The Fund has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is classified as an organization that is not a private foundation. The fund is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Fund evaluates the recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach and has determined that no material adjustment for income tax uncertainties or unrecognized tax benefits is required.

10. Contributions: Contributions are reported at fair value at the date the unconditional promise is received. Conditional promises are not recognized until the conditions on which they depend are substantially met. Contributions receivable are generally expected to be collected in the following year. An allowance for uncollectible pledges receivable is provided based upon the judgment of the Fund considering factors such as the prior collection history and type of contributions.

11. Grants Payable: Grants payable are to be paid in the following year.

12. Recent Accounting Pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Fund adopted ASU 2014-09 on July 1, 2019 and did not record any material impact from the adoption.

In June 2018, the FASB issued 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists in 1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard was adopted, with no material impact, as it relates to contributions received for the year ending June 30, 2020 and will apply to contributions made for the year ending June 30, 2021.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

12. Recent Accounting Pronouncements (Continued): In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year ending June 30, 2024.

The Fund is currently in the process of evaluating the impact of adoption of the *Contributions Made* portion of ASU 2018-08 and ASU 2016-13 on the financial statements.

Note C - Liquidity and Availability of Resources

The following reflects the Fund's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include investments in perpetuity consisting of two donor-restricted endowment funds and an education enhancement fund and amounts restricted for future periods.

	2020	2019
Cash and cash equivalents	\$ 1,147,646	\$ 1,359,777
Investments	1,333,052	1,306,462
Accounts receivable-net of discounts	4,217,686	5,493,278
Notes receivable from FFTA Properties, Inc.	191,812	172,791
Other receivables	6,960	3,999
	<hr/>	<hr/>
Total financial assets	6,897,156	8,336,307
Less those unavailable for general expenditures within year, due to:		
Total net assets with donor restrictions	2,425,004	3,088,542
Net assets with donor time restrictions expiring in the following year	<u>(327,286)</u>	<u>(402,651)</u>
	<hr/>	<hr/>
Assets with donor restrictions released in subsequent year	<u>2,097,718</u>	<u>2,685,891</u>
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,799,438</u>	<u>\$ 5,650,416</u>

As part of the Fund's liquidity management, it has a practice of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash and cash equivalents are held in investment earning accounts. To help manage unanticipated liquidity needs, the Fund has investments that can be easily liquidated. Additionally, the Fund created a Liquidity Policy to insure adequate cash flow to pay current and grant liabilities.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note D - Contributions Receivable

Contributions receivable include the following unconditional pledges at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross Contributions Receivable	\$ 4,458,142	\$ 5,752,887
Less: allowance for doubtful pledges	(222,500)	(218,995)
Unamortized discount on future contributions	<u>(17,956)</u>	<u>(40,614)</u>
Contributions Receivable, net	<u><u>\$ 4,217,686</u></u>	<u><u>\$ 5,493,278</u></u>
Gross Contributions Receivable are due		
According to the Following Schedule:		
Less than one year	\$ 4,016,142	
One to five years	<u>442,000</u>	
Total Gross Contributions Receivable	<u><u>\$ 4,458,142</u></u>	

Pledges due after one year have been discounted at rates ranging from 1.18% to 2.91%.

Note E - Donated Goods and Services

The Fund received donated professional services and material as follows during the year ended June 30, 2020:

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Education and Access	\$ 51,933	\$ 47,000	\$ -	\$ 98,933
Marketing and Advertising	68,697	135,846	-	204,543
Program Events	<u>32,208</u>	<u>-</u>	<u>-</u>	<u>32,208</u>
	<u><u>\$ 152,838</u></u>	<u><u>\$ 182,846</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 335,684</u></u>

The Fund received donated professional services and material as follows during the year ended June 30, 2019:

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Education and Access	\$ 102,130	\$ -	\$ -	\$ 102,130
Marketing and Advertising	103,558	135,670	-	239,228
Raffle Donations	-	20,977	-	20,977
Program Events	<u>53,255</u>	<u>-</u>	<u>-</u>	<u>53,255</u>
	<u><u>\$ 258,943</u></u>	<u><u>\$ 156,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 415,590</u></u>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note F - Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of the following:

	2020	2019
Building and improvements	\$ 1,660,494	\$ 1,626,144
Office furniture and equipment	450,603	395,492
	2,111,097	2,021,636
Less accumulated depreciation	1,516,479	1,430,109
	<u>\$ 594,618</u>	<u>\$ 591,527</u>

Note G - Fair Value Measurements

FASB ASC defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements. The provisions also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lower priority, are described below:

- Level 1: Quote prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Fund's own assumptions.

Following is a description of the valuation methodologies for assets measured at fair value:

- *Certificates of Deposit and Money Market Accounts:* Valued at cost which approximates fair value.
- *Corporate Bonds and U.S. Treasury Notes:* Valued using pricing for similar securities, recently executed transactions, cash flow models with yield curves and other pricing models utilizing observable inputs.
- *Funds Held at the Louisville Community Foundation, Inc.:* The underlying assets of the funds are valued primarily at the closing price reported on the active market on which the individual securities are traded. The funds are valued at the Fund's share of the net asset value of the comingled underlying assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund 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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note G - Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Fund's assets at fair value as of June 30, 2020 and 2019.

	Investments at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 84,911	\$ -	\$ -	\$ 84,911
Money Market Accounts	536,798	-	-	536,798
Corporate Bonds	-	498,749	-	498,749
U.S. Treasury Notes	-	25,530	-	25,530
Funds Held at the Louisville Community Foundation, Inc.	-	187,064	-	187,064
	<u>\$ 621,709</u>	<u>\$ 711,343</u>	<u>\$ -</u>	<u>\$ 1,333,052</u>
	Investments at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 83,823	\$ -	\$ -	\$ 83,823
Money Market Accounts	407,847	-	-	407,847
Corporate Bonds	-	402,610	-	402,610
U.S. Treasury Notes	-	224,792	-	224,792
Funds Held at the Louisville Community Foundation, Inc.	-	187,390	-	187,390
	<u>\$ 491,670</u>	<u>\$ 814,792</u>	<u>\$ -</u>	<u>\$ 1,306,462</u>

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Fund.

Note H - Endowment Funds

The Fund has placed two donor-restricted endowment funds with Louisville Community Foundation, Inc. (the "Foundation"). The first fund provides funding for a scholarship to assist pre-college to college age students in pursuing advanced studies in the arts. The agreement with the Foundation provides that a distributable amount of \$5,000 will be made available annually for grants and will be funded from principal if necessary. In the event of the Fund's dissolution, the Fund reserves the right to name a successor organization to the Foundation fund. The net income of the endowment fund, as defined in the agreement between the Foundation and the Fund, is available for distribution.

As of June 30, 2020, the fund totals \$75,774 of which \$50,000 is to be maintained in perpetuity and \$25,774 is restricted as to purpose. As of June 30, 2019, the fund totals \$73,893 of which \$50,000 is to be maintained in perpetuity and \$23,893 is restricted as to purpose.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note H - Endowment Funds (Continued)

The second donor-restricted endowment fund with the Foundation was established to provide funding to assist community arts administrators and artists in pursuing innovative professional development or educational opportunities that will have a long-term impact on the Louisville Arts community. The agreement with the Foundation provides that a distributable amount will be made available annually based on the Foundation's regular distribution policy. The agreement also provides that the Fund's Board of Directors may request a complete distribution of the account should they choose to manage the funds directly in the future.

As of June 30, 2020, the fund totals \$111,290 of which \$100,000 is to be maintained in perpetuity and \$11,290 is restricted as to purpose. As of June 30, 2019, the fund totals \$113,497 of which \$100,000 is to be maintained in perpetuity and \$13,497 is restricted as to purpose.

The Fund is also the beneficiary of an operating endowment bequeathed to the Foundation by the Estate of Mary Caperton Bingham. The fair value of the assets of the endowment of \$7,391,188 and \$7,547,826 at June 30, 2020 and 2019, respectively, is not recorded in the accompanying financial statements because under the terms of the Bingham Will, the Foundation has the power to redirect the use of the endowment assets to other beneficiaries if the Fund (or its successor) "ceases to perform its current function of helping to fund a broad range of arts organizations in the Louisville Metropolitan Area." Contribution revenue includes amounts from the Foundation of \$361,110 and \$349,953 during 2020 and 2019, respectively.

During the year ended 2020, the Fund also became the beneficiary of a second operating endowment bequeathed to the Foundation. The fair value of the assets of the endowment of \$16,874 at June 30, 2020 is not recorded in the accompanying financial statements because under the terms of the endowment, the Foundation has the power to redirect the use of the endowment asset to other beneficiaries. No distributions were received during 2020.

As these four endowment funds reside at the Foundation, the investment objective of the endowment funds is to have an allocation of 65% traditional equities, 15% non-traditional equities, 18% fixed income and up to 2% cash with the funds invested in moderately conservative investments. This should provide an annual rate of return which exceeds annual distributions in order to protect against inflation. An annualized return may cause the portfolio to experience periods of negative rates of return while aiming for a higher return over a long-term period.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note I - Net Assets with Donor Restrictions

Net Assets with donor restrictions at June 30, 2020 and 2019 are available for the following:

	2020	2019
Subject to Expenditure for Specific Purpose:		
Education programing	\$ 625,457	\$ 649,800
Operating and program underwriting	247,345	314,943
Cultural pass	217,890	307,786
Culinary arts	203,110	76,002
DeVos project	132,283	230,000
Arts in healthcare	89,698	81,898
Imagine 2020	75,000	262,574
ArtsMatch	72,400	4,830
Whittenberg scholarship fund	25,774	23,893
COVID 19 relief	19,120	-
West Louisville collaborative/education/project(s)	18,366	109,464
Arts in aging	10,322	40,310
Cowen innovation fund	4,195	3,156
	<u>1,740,960</u>	<u>2,104,656</u>
Subject to Passage of Time:		
Future campaign/project funding:		
For the period ending June 30, 2021	327,286	402,651
For the period after June 30, 2021	196,758	421,235
	<u>524,044</u>	<u>823,886</u>
Subject to Organization Spending Policy and Appropriation:		
Investment in perpetuity, the income which is available to support:		
Arts innovation endowment	100,000	100,000
Scholarship endowment	50,000	50,000
Education enhancement fund	10,000	10,000
	<u>160,000</u>	<u>160,000</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 2,425,004</u></u>	<u><u>\$ 3,088,542</u></u>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note J - Leases

The Fund owns a building and leases office space in that building to others. Gross rental income during 2020 and 2019 was \$67,413 and \$64,720 respectively. A portion of the office space is leased for an annual rental rate of \$45,229. The parties have agreed to provide a six-month notice of intent to cancel this arrangement. To date, no notice has been provided. In addition, the following presents the future minimum rentals to be earned under noncancelable leases as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	<u>\$ 3,770</u>

Note K - Employee Benefit Plans

Effective March 1, 2007, the Fund adopted a "safe harbor" 401(k) plan that covers substantially all employees of the Fund. Under this plan, the Fund matches employee contributions up to 5% of compensation. Additional employer contributions to the plan are at the discretion of the Fund's Board of Directors and are also determined as a percentage of compensation. Total contributions to the plan during 2020 and 2019 were \$38,803 and \$45,831, respectively.

Note L - FFTA Properties, Inc.

FFTA Properties, Inc. ("Properties") is a not-for-profit organization that has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is classified as an organization that is not a private foundation. Properties is a related party to the Fund but its operations are not consolidated due to an independent Board of Directors and the Fund's lack of a direct economic interest in Properties. Through April 20, 2018, Properties owned the Owsley Brown II Center for Artistic Excellence which includes the W.L. Lyons Brown Theatre (the "Theatre"), the adjoining Fifth Third Conference Center ("Conference Center"), and 8 floors of the Brown Office Building ("ArtSpace") along with the related land. On April 20, 2018, Properties sold the Theatre and Conference Center to the Kentucky Center for the Arts Foundation. As of June 30, 2020, Properties continues to own ArtSpace, a significant portion of which serves as the home for various arts organizations.

For 2020, the Fund granted to Properties \$50,000 related to the oversight and management of Properties.

The Fund guaranteed Properties' line of credit which has an outstanding balance as of June 30, 2020 of \$21,000. There was no outstanding balance as of June 30, 2019. See Note M for additional information.

During 2020 and 2019, the Fund advanced \$64,000 and \$17,500, respectively, to Properties to assist with the cash flow requirements of Properties. Interest accrues on these advances at the prime rate (3.25% at June 30, 2020). At June 30, 2020 and 2019, accrued interest of \$26,521 and \$16,623, respectively, is reflected within the note receivable from FFTA Properties, Inc. balance on the accompanying statements of financial position.

Properties leases space to Kentucky Opera Association, Kentucky Shakespeare, Acting Against Cancer and West Louisville Performing Arts Academy, all arts organizations. These organizations pay an agreed upon portion of the rent and the Fund pays the balance. The payments on behalf of these organizations of \$89,382 and \$70,854, respectively for the years ended June 30, 2020 and 2019 were recorded as additional grants.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note M - Other Liabilities

Properties has a \$500,000 line of credit. The line of credit matures on April 22, 2021. The Fund provides a guarantee of payment. The outstanding balance as of June 30, 2020 is \$21,000. There was no outstanding balance on the line of credit as of June 30, 2019.

Note N - Refundable Advance

In April 2020, the Fund applied for and received approval for a Paycheck Protection Program loan under the CARES Act in the amount of \$208,500. This loan bears interest at approximately 1%, is due in 2 years and is unsecured. Under the CARES Act, subject to limitations, as defined, this loan may be partially or fully forgiven depending on specific actual payroll and other qualified costs for the covered period following receipt of loan proceeds. The Fund is accounting for the loan proceeds as a conditional contribution in accordance with ASC 958-605. As such, the Fund maintains the conditions will be substantially met when forgiveness is received from the Small Business Administration.

Note O - Fundraising Events

Gross revenues and direct event expenses related to the following fundraising events during the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Awards in the Arts		
Revenues	\$ -	\$ 498,093
Expenses	<u>(4,553)</u>	<u>(244,765)</u>
	(4,553)	253,328
Raffle		
Revenues	-	53,200
Expenses	<u>(1,341)</u>	<u>(25,850)</u>
	<u>(1,341)</u>	<u>27,350</u>
	<u><u>\$ (5,894)</u></u>	<u><u>\$ 280,678</u></u>

The fundraising events in 2020 were canceled due to the global pandemic caused by COVID-19.

Supplemental Information

Fund for the Arts
Schedule of Eligible Income for Kentucky Arts Council Grant
Year Ended June 30, 2020

Campaign 2020 - Unrestricted	\$ 4,692,455
Less allowance for uncollectible pledges	(222,500)
Less returned grants	-
Plus other public support and gains	78,904
Plus net assets released from restrictions	<u>2,388,608</u>
Total Income	6,937,467
Less in-kind	<u>(335,684)</u>
Total Eligible Income	<u><u>\$ 6,601,783</u></u>

See independent auditor's report.