

Fund for the Arts
Financial Statements
Years Ended June 30, 2021 and 2020

**Fund for the Arts
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Years Ended June 30, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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.



Louisville, Kentucky
August 24, 2021

Fund for the Arts
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,368,685	\$ 1,147,646
Investments	3,500,130	1,333,052
Contributions receivable, net of discounts and allowance for uncollectible pledges of approximately \$312,000 and \$240,000 for 2021 and 2020, respectively	4,919,481	4,217,686
Note receivable from FFTA Properties, Inc.	-	191,812
Other assets	63,582	20,881
Property and equipment, net	<u>526,214</u>	<u>594,618</u>
Total assets	<u>\$ 10,378,092</u>	<u>\$ 7,505,695</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 162,543	\$ 145,203
Grants payable	745,733	565,300
Reserve for employee retention credits	64,551	-
Refundable advance	<u>-</u>	<u>208,500</u>
Total liabilities	972,827	919,003
Net assets		
Without donor restriction		
Available for subsequent year's operating expenses, special projects and sustaining impact grants	4,186,408	3,567,070
Restricted by the Board for strategic plan implementation	600,000	-
Restricted by the Board for capital investment grants	200,000	-
Invested in property and equipment	<u>526,214</u>	<u>594,618</u>
Total without donor restrictions	5,512,622	4,161,688
With donor restrictions	<u>3,892,643</u>	<u>2,425,004</u>
Total net assets	<u>9,405,265</u>	<u>6,586,692</u>
Total liabilities and net assets	<u>\$ 10,378,092</u>	<u>\$ 7,505,695</u>

See accompanying notes.

Fund for the Arts
Statement of Activities
Year Ended June 30, 2021 with Comparative Totals as of June 30, 2020

	2021			2020
	Without donor restrictions	With donor restrictions	Total	Total
Public support and gains				
Contribution revenues				
Current year campaign	\$ 4,877,776	\$ 3,438,764	\$ 8,316,540	\$ 6,812,852
Related party contribution	1,005,792	-	1,005,792	-
Fundraising events	-	224,421	224,421	-
Future year campaigns and other	(128,500)	135,000	6,500	(422,500)
Less amounts designated by donors for specific organizations	<u>(255,213)</u>	<u>-</u>	<u>(255,213)</u>	<u>(356,127)</u>
Total contribution revenues	5,499,855	3,798,185	9,298,040	6,034,225
Allowance for pledge discounts and uncollectible pledges	<u>(500,221)</u>	<u>5,780</u>	<u>(494,441)</u>	<u>(362,234)</u>
Net contribution revenues	4,999,634	3,803,965	8,803,599	5,671,991
Other public support and gains				
Investment income	9,147	51,475	60,622	54,318
Rental income, net	21,103	-	21,103	14,774
Miscellaneous	<u>7,879</u>	<u>-</u>	<u>7,879</u>	<u>14,327</u>
Total other public support and gains	<u>38,129</u>	<u>51,475</u>	<u>89,604</u>	<u>83,419</u>
Total public support and gains	5,037,763	3,855,440	8,893,203	5,755,410
Net assets released from restricted status upon satisfaction of program restrictions	<u>2,387,801</u>	<u>(2,387,801)</u>	<u>-</u>	<u>-</u>
Total public support and gains	7,425,564	1,467,639	8,893,203	5,755,410
Grants and expenses				
Undesignated grants				
Total grants	4,101,935	-	4,101,935	5,339,982
Less amounts designated by donors for specific organizations	<u>(255,213)</u>	<u>-</u>	<u>(255,213)</u>	<u>(356,127)</u>
Total undesignated grants	3,846,722	-	3,846,722	4,983,855
Program expenses	<u>1,050,327</u>	<u>-</u>	<u>1,050,327</u>	<u>1,382,528</u>
Total undesignated grants and program expenses	4,897,049	-	4,897,049	6,366,383
Other expenses				
Fundraising expenses	760,535	-	760,535	889,084
Management and general expenses	<u>417,046</u>	<u>-</u>	<u>417,046</u>	<u>319,360</u>
Total other expenses	<u>1,177,581</u>	<u>-</u>	<u>1,177,581</u>	<u>1,208,444</u>
Total grants and expenses	<u>6,074,630</u>	<u>-</u>	<u>6,074,630</u>	<u>7,574,827</u>
Changes in net assets	1,350,934	1,467,639	2,818,573	(1,819,417)
Net assets at beginning of year	<u>4,161,688</u>	<u>2,425,004</u>	<u>6,586,692</u>	<u>8,406,109</u>
Net assets at end of year	<u>\$ 5,512,622</u>	<u>\$ 3,892,643</u>	<u>\$ 9,405,265</u>	<u>\$ 6,586,692</u>

See accompanying notes.

Fund for the Arts
Statement of Activities (Continued)
Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Public support and gains			
Contribution revenues			
Current year campaign	\$ 4,904,955	\$ 1,907,897	\$ 6,812,852
Fundraising events, net	-	-	-
Future year campaigns and other	(212,500)	(210,000)	(422,500)
Less amounts designated by donors for specific organizations	(356,127)	-	(356,127)
Total contribution revenues	4,336,328	1,697,897	6,034,225
Allowance for pledge discounts and uncollectible pledges	(384,892)	22,658	(362,234)
Net contribution revenues	3,951,436	1,720,555	5,671,991
Other public support and gains			
Investment income	49,803	4,515	54,318
Rental income, net	14,774	-	14,774
Miscellaneous	14,327	-	14,327
Total other public support and gains	78,904	4,515	83,419
Total public support and gains	4,030,340	1,725,070	5,755,410
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
Grants and expenses			
Undesignated grants			
Total grants	5,339,982	-	5,339,982
Less amounts designated by donors for specific organizations	(356,127)	-	(356,127)
Total undesignated grants	4,983,855	-	4,983,855
Program expenses	1,382,528	-	1,382,528
Total undesignated grants and program expenses	6,366,383	-	6,366,383
Other expenses			
Fundraising expenses	889,084	-	889,084
Management and general expenses	319,360	-	319,360
Total other expenses	1,208,444	-	1,208,444
Total grants and expenses	7,574,827	-	7,574,827
Changes in net assets	(1,155,879)	(663,538)	(1,819,417)
Net assets at beginning of year	5,317,567	3,088,542	8,406,109
Net assets at end of year	\$ 4,161,688	\$ 2,425,004	\$ 6,586,692

See accompanying notes.

Fund for the Arts
Statement of Functional Expenses
Year Ended June 30, 2021

	Program	Fundraising	Management and general	Total
Grants	\$ 3,846,722	\$ -	\$ -	\$ 3,846,722
Salaries and benefits/contract labor	467,591	515,182	217,857	1,200,630
Occupancy	31,747	36,363	16,502	84,612
Special events - Awards in the arts				
Direct donor benefits	36,167	-	-	36,167
Other special events costs	26,115	28,081	-	54,196
Special programs				
Culinary	10,000	-	-	10,000
Imagine 2020	-	-	-	-
NeXt	2,018	-	-	2,018
Other special programs	2,059	-	-	2,059
Arts showcase	2,744	-	-	2,744
Campaign incentives/entertainment	-	3,720	-	3,720
Data processing/impact and ECampaign Software	53,098	61,553	15,791	130,442
Capacity building	150,000	-	-	150,000
Dues and subscriptions	3,319	3,802	1,328	8,449
Events	41,730	-	-	41,730
Financial service fees	-	27,289	-	27,289
Insurance	8,457	9,687	3,383	21,527
Legal, accounting and other consulting	-	-	114,052	114,052
Materials and Supplies	4,867	5,574	1,860	12,301
Meetings	1,801	1,874	4,325	8,000
Miscellaneous	1,080	1,238	432	2,750
Postage	5,762	6,600	2,305	14,667
Printing and marketing (including in-kind)	160,282	38,760	2,032	201,074
Raffle	-	310	-	310
Strategic expenses and branding	23,591	-	30,020	53,611
Telephone	10,485	12,010	4,194	26,689
Training and development	3,811	4,365	1,524	9,700
Travel and transportation	3,603	4,127	1,441	9,171
Totals per statement of activities (Page 4)	4,897,049	760,535	417,046	6,074,630
Campaign grants designated by donors for specific organizations	255,213	-	-	255,213
Totals including designated grants	\$ 5,152,262	\$ 760,535	\$ 417,046	\$ 6,329,843
Expense ratios	81%	12%	7%	100%

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	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
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
	6,366,383	889,084	319,360	7,574,827
Totals per statement of activities (Page 5)				
Campaign grants designated by donors for specific organizations	356,127	-	-	356,127
	\$ 6,722,510	\$ 889,084	\$ 319,360	\$ 7,930,954
Totals including designated grants				
Expense ratios	85%	11%	4%	100%

See accompanying notes.

Fund for the Arts
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 2,818,573	\$ (1,819,417)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	73,160	86,370
Net unrealized and realized (gains) on investments	(39,724)	(1,347)
Allowance for pledge discounts and uncollectible pledges	494,441	362,234
Reserve for employee retention credit	64,551	-
Forgiveness of PPP loan	(208,500)	-
Changes in		
Contributions receivable	(1,196,236)	913,358
Note receivable from FFTA Properties, Inc.	51,503	(9,898)
Other assets	(42,701)	43,464
Accounts payable and accrued expenses	17,340	17,076
Grants payable	180,433	111,356
Refundable advance	-	208,500
	<u>2,212,840</u>	<u>(88,304)</u>
Net cash provided by (used in) operating activities	2,212,840	(88,304)
Cash flows from investing activities		
Proceeds from maturities and sale of investments	244,656	401,770
Purchases of investments	(2,372,010)	(427,013)
Purchase of property and equipment	(4,756)	(89,461)
Advances to FFTA Properties, Inc.	-	(64,000)
Payments from note receivable FFTA Properties, Inc.	140,309	54,877
	<u>(1,991,801)</u>	<u>(123,827)</u>
Net cash used in investing activities	(1,991,801)	(123,827)
Net increase (decrease) in cash and cash equivalents	221,039	(212,131)
Cash and cash equivalents at beginning of year	<u>1,147,646</u>	<u>1,359,777</u>
Cash and cash equivalents at end of year	<u>\$ 1,368,685</u>	<u>\$ 1,147,646</u>

See accompanying notes.

Fund for the Arts
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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 11,000 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 150 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 2020 and 2021 to 23 arts organizations. In 2021, the community-wide cultural plan "Imagine Greater Louisville 2025" was updated and continued its foundation in the five strategic priorities; providing foundation for the Fund's updated strategic plan for 2021 to 2024.

During the year ended June 30, 2021, knowing the transformative healing power of the arts the Fund continued fundraising and grantmaking in response to the impact of the novel coronavirus disease 2019 ("COVID-19") pandemic and our community's racial injustice. In alignment with the Imagine 2020/2025 priority of Diversity, Equity and Inclusion, the Fund continued advocacy with the Arts & Racial Equity Task Force to guide conversations regarding the Fund's role to advance racial equity across the arts and culture sector and elevate the voices of black artists. The Culinary Arts 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, including Black-owned restaurants. In support of the arts, culture, history and heritage ecosystem, the Fund also awarded Cultural Lou Recovery grants to cultural organizations.

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 2020/2025 priorities. In 2021, the ArtsMatch projects were centered around racial equity, diversity and inclusion. 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 arts and cultural 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; 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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

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. The board of directors has designated certain net assets without donor restrictions for strategic plan implementation and capital improvements.
 - *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, 2021 and 2020

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 statements of activities. The statements of functional expenses present 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 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 contributions made for the year ending June 30, 2021.

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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use. This standard will be effective for the year ending June 30, 2023.

The Fund is currently in the process of evaluating the impact of adoption of ASU 2016-13 and 2020-07 on the financial statements.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note C - Coronavirus Pandemic

During 2020, the outbreak of COVID-19 was declared a United States and global pandemic. The Fund's operations have generally been impacted by the outbreak of COVID-19. Since the situation surrounding the pandemic is ongoing, the duration, nature, and extent of the ultimate direct or indirect impact on the Fund's financial condition, liquidity, and/or future results of operations cannot be reasonably estimated at this time. As a result of the initial uncertainty surrounding the COVID-19 pandemic, the Fund applied for, and in April 2020, received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act (see Note O).

In addition to the PPP loan program, the Fund also participated in the Employee Retention Credit ("ERC") program under the CARES Act. Under the ERC program, an eligible entity may take a credit against the employer's portion of Social Security taxes withheld on qualified wages. The amount of the credit is limited to employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. For the year ended June 30, 2021, the Fund recognized \$64,551 of ERC, which has been fully reserved as of year-end.

Note D - Liquidity and Availability of Resources

The following reflects the Fund's financial assets as of June 30, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	\$ 1,368,685	\$ 1,147,646
Investments	3,500,130	1,333,052
Accounts receivable-net of discounts	4,919,481	4,217,686
Notes receivable from FFTA Properties, Inc.	-	191,812
Other receivables	27,382	6,960
	<u>9,815,678</u>	<u>6,897,156</u>
Total financial assets		
Less those unavailable for general expenditures within year, due to		
Total net assets with donor restrictions	3,892,643	2,425,004
Net assets with donor time restrictions expiring in the following year	(306,541)	(327,286)
Amounts unavailable to management without board's approval		
Board designated for strategic plan implementation	600,000	-
Board designated for capital investment grants	200,000	-
Assets with donor restrictions released in subsequent year	<u>4,386,102</u>	<u>2,097,718</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,429,576</u>	<u>\$ 4,799,438</u>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note D - Liquidity and Availability of Resources (Continued)

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.

Note E - Contributions Receivable

Contributions receivable include the following unconditional pledges at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross contributions receivable	\$ 5,231,657	\$ 4,458,142
Less: allowance for doubtful pledges	(300,000)	(222,500)
Unamortized discount on future contributions	<u>(12,176)</u>	<u>(17,956)</u>
Contributions receivable, net	<u>\$ 4,919,481</u>	<u>\$ 4,217,686</u>
Gross contributions receivable are due according to the following schedule:		
Less than one year	\$ 4,793,157	
One to five years	<u>438,500</u>	
Total gross contributions receivable	<u>\$ 5,231,657</u>	

Pledges due after one year have been discounted at rates ranging from 2% to 2.91%.

Note F - Donated Goods and Services

The Fund received donated professional services and materials as follows during the year ended June 30, 2021:

	<u>Program services</u>	<u>Fundraising</u>	<u>Management & general</u>	<u>Total</u>
Education and access	\$ 60,858	\$ 60,858	\$ -	\$ 121,716
Marketing and advertising	-	9,021	9,021	18,042
Professional services	6,800	6,600	8,325	21,725
Program events	<u>73,489</u>	<u>28,081</u>	<u>-</u>	<u>101,570</u>
	<u>\$ 141,147</u>	<u>\$ 104,560</u>	<u>\$ 17,346</u>	<u>\$ 263,053</u>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note F - Donated Goods and Services (Continued)

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

	Program services	Fundraising	Management & general	Total
Education and access	\$ 51,933	\$ 47,000	\$ -	\$ 98,933
Marketing and advertising	68,697	135,846	-	204,543
Program events	32,208	-	-	32,208
	<u>\$ 152,838</u>	<u>\$ 182,846</u>	<u>\$ -</u>	<u>\$ 335,684</u>

Note G - Property and Equipment

Property and equipment at June 30, 2021 and 2020 consist of the following:

	2021	2020
Building and improvements	\$ 1,665,250	\$ 1,660,494
Office furniture and equipment	450,603	450,603
	2,115,853	2,111,097
Less accumulated depreciation	1,589,639	1,516,479
	<u>\$ 526,214</u>	<u>\$ 594,618</u>

Total depreciation expense was \$73,160 and \$86,370 for the years ended June 30, 2021 and 2020, respectively.

Note H - 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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note H - Fair Value Measurements (Continued)

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

- *Certificates of Deposit and Money Market Accounts:* Valued at cost plus accrued interest 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.

The following table sets forth by level, within the fair value hierarchy, the Fund's assets at fair value as of June 30, 2021 and 2020.

	Investments at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 86,698	\$ -	\$ -	\$ 86,698
Money market accounts	2,927,158	-	-	2,927,158
Corporate bonds	-	227,686	-	227,686
U.S. treasury notes	-	25,081	-	25,081
Funds held at the Louisville Community Foundation, Inc.	-	233,507	-	233,507
	<u>\$ 3,013,856</u>	<u>\$ 486,274</u>	<u>\$ -</u>	<u>\$ 3,500,130</u>

	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>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note H - Fair Value Measurements (Continued)

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 I - 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, 2021, the fund totals \$96,923 of which \$50,000 is to be maintained in perpetuity and \$46,923 is restricted as to purpose. 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.

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, 2021, the fund totals \$136,584 of which \$100,000 is to be maintained in perpetuity and \$36,584 is restricted as to purpose. 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.

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 \$9,109,487 and \$7,391,188 at June 30, 2021 and 2020, 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 \$365,164 and \$361,110 during 2021 and 2020, respectively.

The Fund is also the beneficiary of a second operating endowment bequeathed to the Foundation. The fair value of the assets of the endowment of \$21,460 and \$16,874 at June 30, 2021 and 2020, respectively, 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 2021 or 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, 2021 and 2020

Note J - Net Assets with Donor Restrictions

Net Assets with donor restrictions at June 30, 2021 and 2020 are available for the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose		
Unrestricted grants & programs FY2022	\$ 849,058	\$ -
Education programing	789,410	625,457
Operating and program underwriting	451,486	247,345
Cultural pass	252,228	217,890
Imagine 2020/2025	238,700	75,000
Culinary arts	232,865	203,110
Arts & equity	124,177	-
Arts in healthcare	46,973	89,698
Capacity building	42,283	132,283
Cowen innovation fund	34,523	4,195
Whittenberg scholarship fund	26,992	25,774
ArtsMatch	23,774	72,400
West Louisville collaborative/education/project(s)	8,463	18,366
Arts in aging	7,822	10,322
COVID 19 relief	-	19,120
	<u>3,128,754</u>	<u>1,740,960</u>
Subject to passage of time		
Future campaign/project funding		
For the period ending June 30, 2022	306,541	327,286
For the period after June 30, 2022	229,783	196,758
	<u>536,324</u>	<u>524,044</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	77,565	10,000
	<u>227,565</u>	<u>160,000</u>
Total net assets with donor restrictions	<u><u>\$ 3,892,643</u></u>	<u><u>\$ 2,425,004</u></u>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note K - Leases

The Fund owns a building and leases office space in that building to others. Gross rental income during 2021 and 2020 was \$71,182 and \$67,413, respectively. The rental income has been netted with rental expenses of \$50,079 and \$52,639 during 2021 and 2020, respectively, in the statement of activities. 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, 2021:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 10,881</u>

Note L - 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 were \$38,803. Effective July 1, 2020, the Fund revised the 401(k) plan eliminating the employer match.

Note M - 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. On May 21, 2021, Properties sold ArtSpace, which served as the home for various arts organizations. On June 30, 2021, Properties was dissolved and its cash balance of \$1,005,792 was contributed to the Fund with no restrictions, which the Fund recognized as a current year campaign contribution revenue without donor restrictions in the statement of activities for the year ended June 30, 2021. The Fund's board restricted \$600,000 of the contribution for strategic plan implementation, \$200,000 for capital investment grants, and \$205,792 for operation and program underwriting.

For 2021 and 2020, the Fund granted to Properties \$50,000 related to the oversight and management of Properties.

The Fund guaranteed Properties' line of credit which was closed prior to year-end June 30, 2021, as part of the sale of ArtSpace building and dissolution of Properties. The line of credit had an outstanding balance as of June 30, 2020 of \$21,000. See Note N for additional information.

During 2020, the Fund advanced \$64,000 to Properties to assist with the cash flow requirements of Properties. Interest accrued on these advances at the prime rate. At June 30, 2020, accrued interest of \$26,521 is reflected within the note receivable from FFTA Properties, Inc. balance on the accompanying statements of financial position. As of June 30, 2021, the advance has been repaid to the Fund in full.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2021 and 2020

Note M - FFTA Properties, Inc. (Continued)

Properties leased 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 \$61,578 and \$89,382, respectively for the years ended June 30, 2021 and 2020 were recorded as additional grants. Additionally, \$54,800 was paid in moving subsidy grants for the year ended June 30, 2021.

Note N - Other Liabilities

Properties had a \$500,000 line of credit. The line of credit was closed prior to June 30, 2021 as part of the building sale. The Fund provided a guarantee of payment. The outstanding balance as of June 30, 2020 was \$21,000.

Note O - Refundable Advance

In April 2020, the Fund applied for and received approval for a PPP loan under the CARES Act in the amount of \$208,500. Under the provisions of the CARES Act, the Fund was notified the loan was fully forgiven in December 2020 and the Fund has been legally released by the U.S. Small Business Administration ("SBA"). The PPP loan amount was recognized as contribution revenues on the statement of activities for the fiscal year ended June 30, 2021. In accordance with the related PPP loan guidelines, the SBA reserves the right to audit any PPP loan at any time during the loan process, including after the loan is partially or fully forgiven and the Fund has been legally released.

Note P - Fundraising Events

Gross revenues and direct event expenses related to the following fundraising events during the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Awards in the Arts		
Revenues	\$ 182,882	\$ -
Expenses	<u>(69,359)</u>	<u>(4,553)</u>
	113,523	(4,553)
Auction and raffle		
Revenues	41,539	-
Expenses	<u>(21,313)</u>	<u>(1,341)</u>
	<u>20,226</u>	<u>(1,341)</u>
	<u><u>\$ 133,749</u></u>	<u><u>\$ (5,894)</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, 2021

Campaign 2021 - unrestricted	\$ 4,749,276
Less allowance for uncollectible pledges	(300,000)
Less returned grants	-
Plus other public support and gains	38,129
Plus net assets released from restrictions	<u>2,387,801</u>
Total income	6,875,206
Less in-kind	<u>(263,053)</u>
Total eligible income	<u><u>\$ 6,612,153</u></u>

See independent auditor's report.