

Fund for the Arts
Financial Statements
Years Ended June 30, 2022 and 2021

**Fund for the Arts
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Years Ended June 30, 2022 and 2021**

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Independent Auditor's Report

To the Board of Directors
Fund for the Arts

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fund for the Arts as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fund for the Arts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fund for the Arts' ability to continue as a going concern for one year after the date that the financial statements are issued.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fund for Arts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fund for the Arts' ability to continue as a going concern for a reasonable period of time.

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

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 21 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 23, 2022

Fund for the Arts
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 535,396	\$ 1,368,685
Investments	4,406,428	3,500,130
Contributions receivable, net of discounts and allowance for uncollectible pledges of approximately \$278,000 and \$312,000 for 2022 and 2021, respectively	4,375,636	4,919,481
Other assets	37,695	63,582
Property and equipment, net	<u>477,852</u>	<u>526,214</u>
Total assets	<u>\$ 9,833,007</u>	<u>\$ 10,378,092</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 179,564	\$ 162,543
Grants payable	894,055	745,733
Reserve for employee retention credits	<u>-</u>	<u>64,551</u>
Total liabilities	1,073,619	972,827
Net assets		
Without donor restriction		
Available for subsequent year's operating expenses, special projects and sustaining impact grants	4,757,010	4,186,408
Restricted by the Board for strategic plan implementation	-	600,000
Restricted by the Board for capital investment grants	-	200,000
Restricted by the Board for endowment	100,000	-
Invested in property and equipment	<u>477,852</u>	<u>526,214</u>
Total without donor restrictions	5,334,862	5,512,622
With donor restrictions	<u>3,424,526</u>	<u>3,892,643</u>
Total net assets	<u>8,759,388</u>	<u>9,405,265</u>
Total liabilities and net assets	<u>\$ 9,833,007</u>	<u>\$ 10,378,092</u>

See accompanying notes.

Fund for the Arts
Statement of Activities
Year Ended June 30, 2022 with Comparative Totals as of June 30, 2021

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Public support and gains				
Contribution revenues				
Current year campaign	\$ 4,104,386	\$ 1,910,744	\$ 6,015,130	\$ 8,078,574
Related party contribution	-	-	-	1,005,792
Fundraising events	-	15,000	15,000	224,421
Future year campaigns and other	-	60,000	60,000	6,500
Donated goods and services	-	81,030	81,030	237,966
Less amounts designated by donors for specific organizations	<u>(198,424)</u>	<u>-</u>	<u>(198,424)</u>	<u>(255,213)</u>
Total contribution revenues	3,905,962	2,066,774	5,972,736	9,298,040
Allowance for pledge discounts and uncollectible pledges	<u>(164,165)</u>	<u>6,852</u>	<u>(157,313)</u>	<u>(494,441)</u>
Net contribution revenues	3,741,797	2,073,626	5,815,423	8,803,599
Other public support and gains				
Investment income, net	(60,215)	(31,626)	(91,841)	60,622
Rental income, net	(11,912)	-	(11,912)	21,103
Miscellaneous	<u>89</u>	<u>-</u>	<u>89</u>	<u>7,879</u>
Total other public support and gains	<u>(72,038)</u>	<u>(31,626)</u>	<u>(103,664)</u>	<u>89,604</u>
Total public support and gains	3,669,759	2,042,000	5,711,759	8,893,203
Net assets released from restricted status upon satisfaction of program restrictions	<u>2,510,117</u>	<u>(2,510,117)</u>	<u>-</u>	<u>-</u>
Total public support and gains	6,179,876	(468,117)	5,711,759	8,893,203
Grants and expenses				
Undesignated grants				
Total grants	4,477,546	-	4,477,546	4,101,935
Less amounts designated by donors for specific organizations	<u>(198,424)</u>	<u>-</u>	<u>(198,424)</u>	<u>(255,213)</u>
Total undesignated grants	4,279,122	-	4,279,122	3,846,722
Program expenses	<u>973,080</u>	<u>-</u>	<u>973,080</u>	<u>1,050,327</u>
Total undesignated grants and program expenses	5,252,202	-	5,252,202	4,897,049
Other expenses				
Fundraising expenses	736,986	-	736,986	760,535
Management and general expenses	<u>368,448</u>	<u>-</u>	<u>368,448</u>	<u>417,046</u>
Total other expenses	<u>1,105,434</u>	<u>-</u>	<u>1,105,434</u>	<u>1,177,581</u>
Total grants and expenses	<u>6,357,636</u>	<u>-</u>	<u>6,357,636</u>	<u>6,074,630</u>
Changes in net assets	(177,760)	(468,117)	(645,877)	2,818,573
Net assets at beginning of year	<u>5,512,622</u>	<u>3,892,643</u>	<u>9,405,265</u>	<u>6,586,692</u>
Net assets at end of year	<u>\$ 5,334,862</u>	<u>\$ 3,424,526</u>	<u>\$ 8,759,388</u>	<u>\$ 9,405,265</u>

See accompanying notes.

Fund for the Arts
Statement of Activities (Continued)
Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Public support and gains			
Contribution revenues			
Current year campaign	\$ 4,877,776	\$ 3,200,798	\$ 8,078,574
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
Donated goods and services	-	237,966	237,966
Less amounts designated by donors for specific organizations	<u>(255,213)</u>	<u>-</u>	<u>(255,213)</u>
Total contribution revenues	5,499,855	3,798,185	9,298,040
Allowance for pledge discounts	<u>(500,221)</u>	<u>5,780</u>	<u>(494,441)</u>
Net contribution revenues	4,999,634	3,803,965	8,803,599
Other public support and gains			
Investment income	9,147	51,475	60,622
Rental income, net	21,103	-	21,103
Miscellaneous	<u>7,879</u>	<u>-</u>	<u>7,879</u>
Total other public support and gains	<u>38,129</u>	<u>51,475</u>	<u>89,604</u>
Total public support and gains	5,037,763	3,855,440	8,893,203
Net assets released from restricted status upon satisfaction of program restrictions	<u>2,387,801</u>	<u>(2,387,801)</u>	<u>-</u>
Total public support and gains	7,425,564	1,467,639	8,893,203
Grants and expenses			
Undesignated grants			
Total grants	4,101,935	-	4,101,935
Less amounts designated by donors for specific organizations	<u>(255,213)</u>	<u>-</u>	<u>(255,213)</u>
Total undesignated grants	3,846,722	-	3,846,722
Program expenses	<u>1,050,327</u>	<u>-</u>	<u>1,050,327</u>
Total undesignated grants and program expenses	4,897,049	-	4,897,049
Other expenses			
Fundraising expenses	760,535	-	760,535
Management and general expenses	<u>417,046</u>	<u>-</u>	<u>417,046</u>
Total other expenses	<u>1,177,581</u>	<u>-</u>	<u>1,177,581</u>
Total grants and expenses	<u>6,074,630</u>	<u>-</u>	<u>6,074,630</u>
Changes in net assets	1,350,934	1,467,639	2,818,573
Net assets at beginning of year	<u>4,161,688</u>	<u>2,425,004</u>	<u>6,586,692</u>
Net assets at end of year	<u>\$ 5,512,622</u>	<u>\$ 3,892,643</u>	<u>\$ 9,405,265</u>

See accompanying notes.

Fund for the Arts
Statement of Functional Expenses
Year Ended June 30, 2022

	Program	Fundraising	Management and general	Total
Grants	\$ 4,279,122	\$ -	\$ -	\$ 4,279,122
Salaries and benefits/contract labor	528,524	529,208	222,399	1,280,131
Occupancy	30,195	30,193	12,085	72,473
Special programs				
Culinary	35,800	-	-	35,800
NeXt	644	-	-	644
Other special programs	52	-	-	52
Arts showcase	30,882	-	-	30,882
Campaign incentives/entertainment	-	19,019	-	19,019
Data processing/impact and ECampaign Software	55,743	56,575	16,593	128,911
Capacity building	42,844	-	-	42,844
Dues and subscriptions	3,188	3,188	1,276	7,652
Events	566	-	-	566
Financial service fees	-	16,520	-	16,520
Insurance	9,891	9,891	3,960	23,742
Legal, accounting and other consulting	-	-	27,163	27,163
Materials and supplies	5,249	5,249	2,102	12,600
Meetings	2,980	2,193	1,888	7,061
Miscellaneous	955	956	382	2,293
Postage	4,930	4,930	1,974	11,834
Printing and marketing (including in-kind)	137,641	35,954	1,908	175,503
Raffle	-	398	-	398
Strategic expenses and branding	60,284	-	67,624	127,908
Telephone	10,666	10,666	4,271	25,603
Training and development	2,230	2,230	893	5,353
Travel and transportation	9,816	9,816	3,930	23,562
Totals per statement of activities (Page 4)	5,252,202	736,986	368,448	6,357,636
Campaign grants designated by donors for specific organizations	198,424	-	-	198,424
Totals including designated grants	<u>\$ 5,450,626</u>	<u>\$ 736,986</u>	<u>\$ 368,448</u>	<u>\$ 6,556,060</u>
Expense ratios	<u>83%</u>	<u>11%</u>	<u>6%</u>	<u>100%</u>

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	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 5)	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	<u>\$ 5,152,262</u>	<u>\$ 760,535</u>	<u>\$ 417,046</u>	<u>\$ 6,329,843</u>
Expense ratios	<u>81%</u>	<u>12%</u>	<u>7%</u>	<u>100%</u>

See accompanying notes.

Fund for the Arts
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets	\$ (645,877)	\$ 2,818,573
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation	62,242	73,160
Net unrealized and realized gains on investments	(115,239)	(39,724)
Allowance for pledge discounts and uncollectible pledges	157,313	494,441
Reserve for employee retention credit	(64,551)	64,551
Forgiveness of PPP loan	-	(208,500)
Changes in		
Contributions receivable	386,532	(1,196,236)
Note receivable from FFTA Properties, Inc.	-	51,503
Other assets	25,887	(42,701)
Accounts payable and accrued expenses	17,021	17,340
Grants payable	148,322	180,433
	<u>(28,350)</u>	<u>2,212,840</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Proceeds from maturities and sale of investments	1,512,882	244,656
Purchases of investments	(2,303,941)	(2,372,010)
Purchase of property and equipment	(13,880)	(4,756)
Payments from note receivable FFTA Properties, Inc.	-	140,309
	<u>(804,939)</u>	<u>(1,991,801)</u>
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(833,289)	221,039
Cash and cash equivalents at beginning of year	<u>1,368,685</u>	<u>1,147,646</u>
Cash and cash equivalents at end of year	<u>\$ 535,396</u>	<u>\$ 1,368,685</u>

See accompanying notes.

Fund for the Arts
Notes to Financial Statements
Years Ended June 30, 2022 and 2021

Note A - Nature of Organization and Operations

At the Fund for the Arts, we believe that art is a right, not a privilege because art is a fundamental expression of the human condition. We envision a healthy and vibrant community where everyone embraces the art that exists in our lives every day, where everyone contributes to the well-being of our arts community, and where everyone belongs.

The Fund builds a stronger community by investing in a broad range of arts, artists and arts organizations and artistic programs across the region. We work with our community leaders to best leverage the impact of the arts on community priorities such as equity, education, and health. Beyond funding organizations, projects, and programs, we provide support through convening, capacity building, promotion and advocacy. To achieve this, we provide numerous programs for grant-making, in-kind resource support, and strategic planning for organizations that help empower every resident in our city to see themselves as an artist and a part of the city's artistic landscape.

We continue to integrate equity and belonging further into the arts community as we help build capacity and access through our programs. Some of our programs and initiatives include:

- **Arts in Institutions**

Sustaining Impact Grants: The purpose of Sustaining Impact Grants is to provide mission-based operating support to Greater Louisville nonprofit arts organizations to ensure the organization's ongoing capacity to drive community impact. All organizations funded through the Sustaining Impact Grants program must illustrate their equity plan and efforts towards greater diversity in their organizations and equity and inclusion in our community.

The Cultural Pass Program: The Cultural Pass offers families, with children ages 0-21, in Greater Louisville access to arts and cultural activities free of charge, all summer long. This program engages diverse populations, including underserved children from under-resourced and racially and geographically diverse communities. The Cultural Pass is an innovative endeavor to promote art and culture and improve summer learning in our community. This program also establishes lifelong relationships between children and arts and cultural institutions. The Cultural Pass is a unique opportunity to collaborate and strengthen partnerships with Louisville's Arts and Culture Alliance, Louisville Metro Government, Louisville Free Public Library, and additional regional library systems.

- **Arts in Learning**

Arts in education programming reaches thousands of students across the Commonwealth by providing access to the arts. The arts are a critical component in the overall educational experience resulting in enhanced student academic achievement and development. These benefits extend to the greater community if everyone has access to them regardless of neighborhood, social, economic, and/or environmental conditions. These arts experiences encourage young people to be their best every day. Many factors create obstacles to educational excellence for kids in our community. Art can remold those factors to create opportunity. Art, culture, and heritage institutions help educate our community about history, other cultures, and can help to address political or social biases that lead to health inequities. Arts experiences are proven to increase social connection, empathy, optimism, and joy, all contributing to individuals' health and well-being. Eliminating the barriers for economically or geographically disadvantaged families is a key objective to creating not only access for all but equity by providing targeted outreach and engagement. Increasing access and opportunity creates bridges across cultures and social structures. Art and culture experiences create opportunities for families to participate in inspiring, engaging experiences together, creating strong family bonds, resilient children, and brighter futures for our region.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note A- Nature of Organization and Operations (Continued)

• **Arts in Neighborhoods**

The Fund promotes and facilitates collaborative initiatives leveraging expertise and resources that strengthen neighborhoods. Recognizing people and neighborhoods are the best judges of their own needs. Arts in Neighborhoods facilitates conversations between artists and community leaders, resulting in events that celebrate and amplify the art they have already been doing for years. Art can create an inviting enjoyable experience in a neighborhood public space, create shared experiences and encourage intergenerational activities to lift of the local community.

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, capital improvements, and endowment.
 - *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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

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.
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. Reclassification: Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. The reclassifications had no effect on previously reported net assets.
13. Recent Accounting Pronouncements: The Fund adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* for its fiscal year ended June 30, 2022. The guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure. This ASU requires that nonfinancial assets are presented as separate line items in the statement of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restrictions, and valuation techniques for the nonfinancial assets received. The adoption did not have a material impact on reported net assets as of July 1, 2021.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

13. 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 this ASU on the financial statements.

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 on-going, 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 was fully reserved as of year-end. For the year ended June 30, 2022, the Fund recognized \$253,458 of ERC, which full payment was received.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note D - Liquidity and Availability of Resources

The following reflects the Fund's financial assets as of June 30, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 535,396	\$ 1,368,685
Investments	4,406,428	3,500,130
Accounts receivable-net of discounts	4,375,636	4,919,481
Other receivables	<u>182</u>	<u>27,382</u>
 Total financial assets	 9,317,642	 9,815,678
 Less those unavailable for general expenditures within year, due to		
Total net assets with donor restrictions	3,424,526	3,892,643
Net assets with donor time restrictions expiring in the following year	(135,000)	(306,541)
 Amounts unavailable to management without board's approval		
Board designated for endowment	100,000	-
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>3,389,526</u>	 <u>4,386,102</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 5,928,116</u>	 <u>\$ 5,429,576</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, 2022 and 2021

Note E - Contributions Receivable

Contributions receivable include the following unconditional pledges at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross contributions receivable	\$ 4,652,834	\$ 5,231,657
Less: allowance for doubtful pledges	(271,874)	(300,000)
Unamortized discount on future contributions	<u>(5,324)</u>	<u>(12,176)</u>
Contributions receivable, net	<u>\$ 4,375,636</u>	<u>\$ 4,919,481</u>

Gross contributions receivable are due according to the following schedule:

Less than one year	\$ 4,467,834
One to five years	<u>185,000</u>

Total gross contributions receivable \$ 4,652,834

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 and utilized as follows during the year ended June 30, 2022:

	<u>Program services</u>	<u>Fundraising</u>	<u>Management & general</u>	<u>Total</u>
Education and access	\$ 29,328	\$ 29,328	\$ -	\$ 58,656
Marketing and advertising	<u>-</u>	<u>44,952</u>	<u>44,952</u>	<u>89,904</u>
	<u>\$ 29,328</u>	<u>\$ 74,280</u>	<u>\$ 44,952</u>	<u>\$ 148,560</u>

The Fund received donated professional services and materials and utilized 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, 2022 and 2021

Note F - Donated Goods and Services (Continued)

Contributions for education and access, marketing and advertising, professional services, and program events are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated.

Note G - Property and Equipment

Property and equipment at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 1,679,130	\$ 1,665,250
Office furniture and equipment	<u>371,654</u>	<u>450,603</u>
	2,050,784	2,115,853
Less accumulated depreciation	<u>1,572,932</u>	<u>1,589,639</u>
	<u>\$ 477,852</u>	<u>\$ 526,214</u>

Total depreciation expense was \$62,242 and \$73,160 for the years ended June 30, 2022 and 2021, 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.

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.
- *Securities:* Valued at the closing price reported on an active market on which the individual securities are traded.
- *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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note H - Fair Value Measurements (Continued)

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, 2022 and 2021.

	Investments at fair value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 88,520	\$ -	\$ -	\$ 88,520
Money market accounts	3,072,898	-	-	3,072,898
Corporate bonds	-	247,134	-	247,134
Securities	821,079	-	-	821,079
Funds held at the Louisville Community Foundation, Inc.	-	176,797	-	176,797
	<u>\$ 3,982,497</u>	<u>\$ 423,931</u>	<u>\$ -</u>	<u>\$ 4,406,428</u>

	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>

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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note I - Endowment Funds (Continued)

As of June 30, 2022, the fund totals \$65,030 of which \$50,000 is to be maintained in perpetuity and \$15,030 is restricted as to purpose. 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.

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, 2022, the fund totals \$111,767 of which \$100,000 is to be maintained in perpetuity and \$11,767 is restricted as to purpose. 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.

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 \$7,444,796 and \$9,109,487 at June 30, 2022 and 2021, 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 \$381,793 and \$365,164 during 2022 and 2021, 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 \$18,102 and \$21,460 at June 30, 2022 and 2021, 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 2022 or 2021.

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.

During the year ended June 30, 2022, the Board established an endowment fund restricted for arts and equity. As of June 30, 2022, \$100,000 of this fund was permanently restricted by the Board.

The Fund also has a donor restricted endowment fund restricted for education. As of June 30, 2022 and 2021, \$104,514 and \$77,565, respectively, is restricted in perpetuity.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note J - Net Assets with Donor Restrictions

Net Assets with donor restrictions at June 30, 2022 and 2021 are available for the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose		
Arts in neighborhood	\$ 1,214,533	\$ 558,597
Arts in learning	1,018,689	1,665,391
Arts in institutions	323,742	453,210
Support - internal and external	<u>323,372</u>	<u>451,556</u>
	2,880,336	3,128,754
Subject to passage of time		
Future campaign/project funding		
For the period ending June 30, 2023	135,000	306,541
For the period after June 30, 2023	<u>154,676</u>	<u>229,783</u>
	289,676	536,324
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	<u>104,514</u>	<u>77,565</u>
	<u>254,514</u>	<u>227,565</u>
Total net assets with donor restrictions	<u>\$ 3,424,526</u>	<u>\$ 3,892,643</u>

Note K - Leases

The Fund owns a building and leases office space in that building to others. Gross rental income during 2022 and 2021 was \$36,412 and \$71,182, respectively. The rental income has been netted with rental expenses of \$48,324 and \$50,079 during 2022 and 2021, respectively, in the statement of activities. 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, 2022:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 22,130
2024	<u>7,650</u>
	<u>\$ 29,780</u>

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

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. Effective July 1, 2020, the Fund revised the 401(k) plan, eliminating the employer match.

Effective July 1, 2021 the Fund reinstated a "safe harbor" 401(k) plan that covers substantially all employees of the Fund. The employer match was reinstated at a maximum of 4% 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 the year ended June 30, 2022 were \$16,348.

Note M - FFTA Properties, Inc.

FFTA Properties, Inc. ("Properties") was a not-for-profit organization that received a determination letter from the Internal Revenue Service indicating that it was exempt from income taxes under Internal Revenue Code Section 501(c)(3) and was classified as an organization that was not a private foundation. Properties was a related party to the Fund but its operations were not consolidated due to an independent Board of Directors and the Fund's lack of a direct economic interest in Properties. 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. In 2022, Fund's board released restrictions on the funds.

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 for the year ended June 30, 2021, were recorded as additional grants. Additionally, \$54,800 was paid in moving subsidy grants for the year ended June 30, 2021.

Note N - Line of Credit

In November 2021, the Fund obtained a \$500,000 operating line of credit to cover future cash requirements. Outstanding balances on the line of credit bear interest at a rate of 3.25%. The line of credit matures November 28, 2023. There are no outstanding borrowings on the line of credit as of June 30, 2022.

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.

Fund for the Arts
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note P - Fundraising Events

Gross revenues and direct event expenses related to the following fundraising events during the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Awards in the Arts		
Revenues	\$ 15,000	\$ 182,882
Expenses	<u>-</u>	<u>(69,359)</u>
	15,000	113,523
Auction and raffle		
Revenues	-	41,539
Expenses	<u>(398)</u>	<u>(21,313)</u>
	<u>(398)</u>	<u>20,226</u>
	<u>\$ 14,602</u>	<u>\$ 133,749</u>

Supplemental Information

Fund for the Arts
Schedule of Eligible Income for Kentucky Arts Council Grant
Year Ended June 30, 2022

Campaign 2022 - unrestricted	\$ 4,104,386
Less allowance for uncollectible pledges	(271,874)
Less returned grants	-
Plus other public support and gains	(72,038)
Plus net assets released from restrictions	<u>2,510,117</u>
Total income	6,270,591
Less in-kind	<u>(148,560)</u>
Total eligible income	<u>\$ 6,122,031</u>

See independent auditor's report.