

FUND FOR THE ARTS

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2026 and 2025

And Report of Independent Auditor

FUND FOR THE ARTS
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

 Statements of Financial Position 3

 Statements of Activities 4-5

 Statement of Functional Expenses – Year Ended June 30, 2026..... 6

 Statement of Functional Expenses – Year Ended June 30, 2025..... 7

 Statements of Cash Flows..... 8

 Notes to the Financial Statements..... 9-18

Report of Independent Auditor

To the Board of Directors
Fund for the Arts
Louisville, Kentucky

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, 2026 and 2025, 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, 2026 and 2025, and the changes in its net assets 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. 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's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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's 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.

Cherry Bekaert LLP

Louisville, Kentucky
August 23, 2026

FUND FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Cash and cash equivalents	\$ 216,170	\$ 281,776
Investments	3,865,211	4,206,840
Contributions receivable, net of discounts and allowance for uncollectible pledges of approximately \$42,000 and \$63,000 for 2026 and 2025, respectively	1,532,651	2,557,843
Other assets	75,651	50,185
Capitalized software development, net	714,805	638,085
Property and equipment, net	41,218	25,959
Total Assets	<u>\$ 6,445,706</u>	<u>\$ 7,760,688</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 51,884	\$ 69,946
Grants payable	452,387	366,076
Total Liabilities	<u>504,271</u>	<u>436,022</u>
Net Assets:		
Without Donor Restrictions:		
Available for subsequent year's operating expenses, special projects and sustaining impact grants	2,722,095	3,525,620
Restricted by the Board for endowment	1,399,956	1,475,876
Invested in property and equipment	41,218	25,959
Total Without Donor Restrictions	4,163,269	5,027,455
With Donor Restrictions	1,778,166	2,297,211
Total Net Assets	<u>5,941,435</u>	<u>7,324,666</u>
Total Liabilities and Net Assets	<u>\$ 6,445,706</u>	<u>\$ 7,760,688</u>

The accompanying notes to the financial statements are an integral part of these statements.

FUND FOR THE ARTS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2026 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2025)

	2026			2025
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Gains:				
Contribution Revenues:				
Current year campaign	\$ 2,234,242	\$ 1,210,867	\$ 3,445,109	\$ 3,840,989
Donated goods and services	-	-	-	33,430
Less amounts designated by donors for specific organizations	(550)	-	(550)	(31,172)
Total Contribution Revenues	2,233,692	1,210,867	3,444,559	3,843,247
Provision for bad debts and change in pledge discounts	(90,184)	2,891	(87,293)	(92,305)
Net Contribution Revenues	2,143,508	1,213,758	3,357,266	3,750,942
Other Public Support and Gains:				
Investment return, net	207,893	23,649	231,542	182,076
Rental income, net	-	-	-	3,386
Gain of sale of building	-	-	-	888,690
Miscellaneous	3,831	-	3,831	39
Total Other Public Support and Gains	211,724	23,649	235,373	1,074,191
Total Public Support and Gains	2,355,232	1,237,407	3,592,639	4,825,133
Net assets released from restricted status upon satisfaction of program restrictions	1,756,452	(1,756,452)	-	-
Total Public Support and Gains	4,111,684	(519,045)	3,592,639	4,825,133
Grants and Expenses:				
Undesignated grants	2,969,776	-	2,969,776	3,468,968
Less amounts designated by donors for specific organizations	(550)	-	(550)	(31,172)
Total Undesignated Grants	2,969,226	-	2,969,226	3,437,796
Program expenses	888,810	-	888,810	822,947
Total Undesignated Grants and Program Expenses	3,858,036	-	3,858,036	4,260,743
Other Expenses:				
Fundraising expenses	747,275	-	747,275	719,940
Management and general expenses	370,559	-	370,559	309,081
Total Other Expenses	1,117,834	-	1,117,834	1,029,021
Total Grants and Expenses	4,975,870	-	4,975,870	5,289,764
Changes in net assets	(864,186)	(519,045)	(1,383,231)	(464,631)
Net assets, beginning of year	5,027,455	2,297,211	7,324,666	7,789,297
Net assets, end of year	\$ 4,163,269	\$ 1,778,166	\$ 5,941,435	\$ 7,324,666

The accompanying notes to the financial statements are an integral part of these statements.

FUND FOR THE ARTS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Gains:			
Contribution Revenues:			
Current year campaign	\$ 2,633,764	\$ 1,207,225	\$ 3,840,989
Donated goods and services	-	33,430	33,430
Less amounts designated by donors for specific organizations	(31,172)	-	(31,172)
Total Contribution Revenues	2,602,592	1,240,655	3,843,247
Provision for bad debts and change in pledge discounts	(95,719)	3,414	(92,305)
Net Contribution Revenues	2,506,873	1,244,069	3,750,942
Other Public Support and Gains:			
Investment return, net	167,569	14,507	182,076
Rental income, net	3,386	-	3,386
Gain of sale of building	888,690	-	888,690
Miscellaneous	39	-	39
Total Other Public Support and Gains	1,059,684	14,507	1,074,191
Total Public Support and Gains	3,566,557	1,258,576	4,825,133
Net assets released from restricted status upon satisfaction of program restrictions	2,740,847	(2,740,847)	-
Total Public Support and Gains	6,307,404	(1,482,271)	4,825,133
Grants and Expenses:			
Undesignated grants	3,468,968	-	3,468,968
Less amounts designated by donors for specific organizations	(31,172)	-	(31,172)
Total Undesignated Grants	3,437,796	-	3,437,796
Program expenses	822,947	-	822,947
Total Undesignated Grants and Program Expenses	4,260,743	-	4,260,743
Other Expenses:			
Fundraising expenses	719,940	-	719,940
Management and general expenses	309,081	-	309,081
Total Other Expenses	1,029,021	-	1,029,021
Total Grants and Expenses	5,289,764	-	5,289,764
Changes in net assets	1,017,640	(1,482,271)	(464,631)
Net assets, beginning of year	4,009,815	3,779,482	7,789,297
Net assets, end of year	\$ 5,027,455	\$ 2,297,211	\$ 7,324,666

The accompanying notes to the financial statements are an integral part of these statements.

FUND FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2026

	Program	Fundraising	Management and General	Total
Grants	\$ 2,968,876	\$ -	\$ -	\$ 2,968,876
Salaries and benefits/contract labor	688,600	595,091	248,126	1,531,817
Occupancy	39,288	30,217	51,590	121,095
Special Programs:				
Celebration of the Arts	12,922	-	-	12,922
NeXt	2,226	-	-	2,226
Campaign incentives/entertainment	-	12,827	-	12,827
Data processing/impact and ECampaign software	75,252	47,666	14,876	137,794
Dues and subscriptions	3,699	2,846	1,043	7,588
Events	-	4,166	-	4,166
Financial service fees	-	19,503	856	20,359
Insurance	11,333	8,718	3,197	23,248
Legal, accounting, and other consulting	-	-	27,288	27,288
Materials and supplies	3,931	2,946	979	7,856
Meetings	2,929	2,253	17,587	22,769
Miscellaneous	2,905	2,235	1,114	6,254
Postage	9,119	4,759	1,078	14,956
Printing and marketing (including in-kind)	28,191	7,384	1,825	37,400
Telephone	3,657	2,813	885	7,355
Training and development	565	434	115	1,114
Travel and transportation	4,543	3,417	-	7,960
Totals Per Statements of Activities (Page 4)	3,858,036	747,275	370,559	4,975,870
Campaign grants designated by donors for specific organizations	550	-	-	550
Totals Including Designated Grants	<u>\$ 3,858,586</u>	<u>\$ 747,275</u>	<u>\$ 370,559</u>	<u>\$ 4,976,420</u>
Expense Ratios	<u>78%</u>	<u>15%</u>	<u>7%</u>	<u>100%</u>

The accompanying notes to the financial statements are an integral part of these statements.

FUND FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	Program	Fundraising	Management and General	Total
Grants	\$ 3,437,796	\$ -	\$ -	\$ 3,437,796
Salaries and benefits/contract labor	620,483	561,304	215,591	1,397,378
Occupancy	38,090	30,592	15,339	84,021
Special Programs:				
Celebration of the Arts	15,509	-	-	15,509
NeXt	3,368	-	-	3,368
Campaign incentives/entertainment	-	6,627	-	6,627
Data processing/impact and ECampaign software	70,075	56,439	15,769	142,283
Dues and subscriptions	2,800	2,249	891	5,940
Events	658	-	-	658
Financial service fees	-	14,439	-	14,439
Insurance	11,774	9,456	3,746	24,976
Legal, accounting, and other consulting	-	-	34,650	34,650
Materials and supplies	4,154	3,336	1,321	8,811
Meetings	5,120	2,985	12,475	20,580
Miscellaneous	2,576	2,069	818	5,463
Postage	5,534	4,444	1,761	11,739
Printing and marketing (including in-kind)	23,299	10,332	513	34,144
Telephone	6,899	5,541	2,195	14,635
Training and development	1,729	1,389	550	3,668
Travel and transportation	10,879	8,738	3,462	23,079
Totals Per Statements of Activities (Page 4)	4,260,743	719,940	309,081	5,289,764
Campaign grants designated by donors for specific organizations	31,172	-	-	31,172
Totals Including Designated Grants	\$ 4,291,915	\$ 719,940	\$ 309,081	\$ 5,320,936
Expense Ratios	80%	14%	6%	100%

The accompanying notes to the financial statements are an integral part of these statements.

FUND FOR THE ARTS
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Changes in net assets	\$ (1,383,231)	\$ (464,631)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	139,590	63,338
Investment return, net	(231,542)	(182,076)
Gain on sale of building	-	(888,690)
Provision for bad debts and change in pledge discounts	87,293	92,305
Changes in operating assets and liabilities:		
Contributions receivable	937,899	1,023,965
Other assets	(25,466)	18,546
Accounts payable and accrued expenses	(18,062)	(86,037)
Grants payable	86,311	(11,279)
Net cash flows from operating activities	<u>(407,208)</u>	<u>(434,559)</u>
Cash flows from investing activities:		
Proceeds (purchases) of investments, net	573,171	(348,964)
Purchase of software development costs	(210,000)	(439,900)
Purchase of property and equipment	(21,569)	(137,816)
Proceeds from sale of building	-	1,383,070
Net cash flows from investing activities	<u>341,602</u>	<u>456,390</u>
Net change in cash and cash equivalents	(65,606)	21,831
Cash and cash equivalents, beginning of year	281,776	259,945
Cash and cash equivalents, end of year	<u>\$ 216,170</u>	<u>\$ 281,776</u>

The accompanying notes to the financial statements are an integral part of these statements.

FUND FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 1—Nature of organization and operations

At the Fund for the Arts (the “Fund”), 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.

Cultural Pass Program – 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 a diverse and broad range of populations, including 202 unique Kentucky and Indiana zip codes. Cultural Pass is an innovative endeavor designed to combat summer learning loss in young people and to promote accessibility to local arts, culture, nature, and science institutions. This program also establishes lifelong relationships between young people and their community's arts and cultural institutions. 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 THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 1—Nature of organization and operations (continued)

Arts in Neighborhoods – The Fund promotes and facilitates collaborative initiatives leveraging expertise and resources that strengthen neighborhoods and/or specific communities, 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 and service 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 up the local community.

Note 2—Summary of significant accounting policies

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 ("U.S. GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative U.S. GAAP. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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.

Subsequent Events – Subsequent events for the Fund have been considered through August 23, 2026 which represents the date which the financial statements were available to be issued.

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 classifications:

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 Fund. 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 statements of activities.

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 THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 2—Summary of significant accounting policies (continued)

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. Net realized and unrealized gains and losses, interest, and dividends are recorded as investment return, net in the statements of activities as incurred.

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.

Capitalized Software Development Costs – Capitalized software development costs consist of costs incurred for the development of an application for the Cultural Pass that will be marketed and used to deliver the Cultural Pass program. The costs are capitalized as technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in the hardware and software technologies. As of June 30, 2026 and 2025, total costs capitalized for developing the software application amounted to \$858,900 and \$648,900, respectively. There was \$144,095 and \$10,815 of accumulated amortization recorded as of June 30, 2026 and 2025, respectively. There was \$133,280 and \$10,815 of amortization expense recorded during the years ended June 30, 2026 and 2025, respectively.

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.

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.

Contributions – The Fund recognizes income from unconditional contributions and pledges in the year received. Conditional promises, that is those with a measurable performance or other barrier and a right of return or release, 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.

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

FUND FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 3—Liquidity and availability of resources

The following reflects the Fund's financial assets as of June 30, 2026 and 2025, 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.

	2026	2025
Cash and cash equivalents	\$ 216,170	\$ 281,776
Investments	3,865,211	4,206,840
Accounts receivable, net	1,532,651	2,557,843
Other receivables	1,777	3,367
Total financial assets	<u>5,615,809</u>	<u>7,049,826</u>
Less those unavailable for general expenditures within one year, due to:		
Total net assets with donor restrictions	1,778,166	2,297,211
Net assets with donor time restrictions expiring in the following year	(60,000)	(265,000)
Amounts unavailable to management without the board's approval:		
Board designated for endowment	<u>1,399,956</u>	<u>1,475,876</u>
Assets with board and donor restrictions to be released in subsequent years	<u>3,118,122</u>	<u>3,508,087</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,497,687</u>	<u>\$ 3,541,739</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 ensure adequate cash flow to pay current and grant liabilities.

FUND FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 4—Contributions receivable

Contributions receivable include the following unconditional pledges at June 30:

	2026	2025
Gross contributions receivable	\$ 1,574,976	\$ 2,620,876
Less allowance for credit losses	(34,000)	(51,817)
Unamortized discount on future contributions	(8,325)	(11,216)
Contributions receivable, net	<u>\$ 1,532,651</u>	<u>\$ 2,557,843</u>

Gross contributions receivable are due according to the following schedule:

Less than one year	\$ 1,514,976	\$ 2,540,876
One to five years	60,000	80,000
Total gross contributions receivable	<u>\$ 1,574,976</u>	<u>\$ 2,620,876</u>

Pledges due after one year have been discounted at rate of 4.93%.

Note 5—Donated goods and services

There was no in-kind revenue for the year ended June 30, 2026. The Fund received donated professional services and materials and utilized as follows during the year ended June 30, 2025:

	Program Services	Fundraising	Management and General	Total
Marketing and advertising	\$ -	\$ 1,515	\$ 1,515	\$ 3,030
	<u>\$ -</u>	<u>\$ 1,515</u>	<u>\$ 1,515</u>	<u>\$ 3,030</u>

Contributions for education and access and marketing and advertising are recognized as in-kind revenues at the fair value reported by the vendor who provided the services, if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. The in-kind revenues are included in the current year campaign revenue on the statement of activities for the year ended June 30, 2025.

Note 6—Property and equipment

Property and equipment consist of the following at June 30:

	2026	2025
Office furniture and equipment	\$ 219,153	\$ 300,114
Less accumulated depreciation	177,935	274,155
	<u>\$ 41,218</u>	<u>\$ 25,959</u>

Total depreciation expense was \$6,310 and \$52,524 for the years ended June 30, 2026 and 2025, respectively, which is included in occupancy expense on the statements of functional expense.

FUND FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 6—Property and equipment (continued)

On June 11, 2025, the Fund sold the building and associated assets for a total net consideration of \$1,383,070. The sale resulted in a net gain of \$888,690 which is reflected in the statement of activities for the year ended June 30, 2025.

The proceeds from the sale have been restricted by the Board as an endowment to support the operations of the Fund and its mission and strategic goals (see Note 8).

Note 7—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.

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

FUND FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 7—Fair value measurements (continued)

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

Investments at Fair Value as of June 30, 2026				
	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 2,018,643	\$ -	\$ -	\$ 2,018,643
Corporate bonds	549,434	-	-	549,434
Securities	1,158,280	-	-	1,158,280
Funds held at the Community Foundation of Louisville	-	-	138,854	138,854
	<u>\$ 3,726,357</u>	<u>\$ -</u>	<u>\$ 138,854</u>	<u>\$ 3,865,211</u>

Investments at Fair Value as of June 30, 2025				
	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 3,439,207	\$ -	\$ -	\$ 3,439,207
Corporate bonds	145,159	-	-	145,159
Securities	495,625	-	-	495,625
Funds held at the Community Foundation of Louisville	-	-	126,849	126,849
	<u>\$ 4,079,991</u>	<u>\$ -</u>	<u>\$ 126,849</u>	<u>\$ 4,206,840</u>

The Fund measures the funds held at the Community Foundation of Louisville at fair value using unobservable inputs (Level 3). The following table sets forth a summary of changes in fair value of the Fund's Level 3 investments for the years ended June 30:

	2026	2025
Balance, beginning of year	\$ 126,849	\$ 126,486
Distributions	(5,294)	(5,386)
Fees	(804)	(571)
Investment income	2,994	2,802
Unrealized gain	15,109	3,518
Balance, end of year	<u>\$ 138,854</u>	<u>\$ 126,849</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.

FUND FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 8—Endowment funds

The Fund has a donor-restricted endowment fund with Louisville Community Foundation, Inc. (the "Foundation"). The Fund 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, 2026, the fund totals \$138,854 of which \$100,000 is to be maintained in perpetuity and \$38,854 is restricted as to purpose. As of June 30, 2025, the fund totals \$126,849 of which \$100,000 is to be maintained in perpetuity and \$26,849 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 \$10,150,517 and \$8,985,659 at June 30, 2026 and 2025, 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 \$400,000 and \$388,257 during 2026 and 2025, 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 \$34,248 and \$28,660 at June 30, 2026 and 2025, 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 assets to other beneficiaries. No distributions were received during 2026 or 2025.

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, 2023, the Board established an endowment fund restricted for arts and equity. As of June 30, 2026 and 2025, \$100,000 of this fund was permanently restricted by the Board. In the fiscal year ended June 30, 2025, the Board specifically designated \$100,000 of the restricted fund to be used in partnership with Simmons College of Kentucky for the purpose of creating a partnership to support the development and sustainability of arts programming and initiatives for Simmons College students and community.

The Fund also has a donor restricted endowment fund restricted for education. As of June 30, 2026 and 2025, \$111,652 and \$113,696, respectively, is restricted in perpetuity. The income of \$11,652 and \$13,696 as of June 30, 2026 and 2025, respectively, is available to be transferred out of the endowment to support education.

During the year ended June 30, 2025, the Fund sold its building located at 623 West Main Street in Louisville, Kentucky. The majority of the proceeds from the sale have been Board restricted for an endowment to support the operations of the Fund. The funds of \$1,375,876 are invested in a money market account as of June 30, 2025. Within the next fiscal year, the Investment Committee and Board of Directors will create a formal written endowment agreement, including an investment and distribution plan.

FUND FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 8—Endowment funds (continued)

Changes in endowment net assets are as follows for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, July 1, 2024	\$ 100,000	\$ 213,913	\$ 313,913
Investment return, net	-	4,087	4,087
Contributions	1,375,876	2,197	1,378,073
Transfer	-	(6,500)	(6,500)
Endowment net assets, June 30, 2025	1,475,876	213,697	1,689,573
Investment return, net	54,915	3,206	58,121
Contributions	-	1,949	1,949
Transfer	(130,835)	(7,200)	(138,035)
Endowment net assets, June 30, 2026	<u>\$ 1,399,956</u>	<u>\$ 211,652</u>	<u>\$ 1,611,608</u>

Note 9—Net assets with donor restrictions

Net assets with donor restrictions at June 30 are available for the following:

	2026	2025
Subject to expenditure for specific purpose:		
Arts in neighborhood	\$ 99,291	\$ 390,434
Arts in learning	291,225	375,577
Arts in institutions	952,688	890,869
Support - internal and external	111,635	92,850
	<u>1,454,839</u>	<u>1,749,730</u>
Subject to passage of time:		
Future campaign/project funding:		
For the period ending June 30, 2026	-	265,000
For the period ending June 30, 2027	60,000	38,172
For the period after June 30, 2027	51,675	30,612
	<u>111,675</u>	<u>333,784</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
Education enhancement fund	111,652	113,697
	<u>211,652</u>	<u>213,697</u>
Total net assets with donor restrictions	<u>\$ 1,778,166</u>	<u>\$ 2,297,211</u>

FUND FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

Note 10—Leases

The Fund owned a building and leased office space in that building to others. Gross rental income during 2025 was \$24,373. The rental income has been netted with rental expenses of \$20,987 during 2025, in the statements of activities.

The building was sold on June 11, 2025. In August 2025, the Fund entered into a one-year office lease agreement that remains in effect through October 1, 2026.

Note 11—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 years ended June 30, 2026 and 2025 were \$37,244 and \$33,685, respectively.