

Arts United of Greater Fort Wayne, Inc.

Independent Auditor's Report and
Consolidated Financial Statements

December 31, 2017



Arts United of Greater Fort Wayne, Inc.
December 31, 2017

Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
Supplementary Information	
Analysis of Functional Expenses	19

Independent Auditor's Report

Board of Directors
Arts United of Greater Fort Wayne, Inc.
Fort Wayne, Indiana

We have audited the accompanying consolidated financial statements of Arts United of Greater Fort Wayne, Inc. (Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the period from July 1, 2016 through December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arts United of Greater Fort Wayne, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the period from July 1, 2016 through December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary analysis of functional expenses listed in the table of contents is present for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Fort Wayne, Indiana
April 25, 2018

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Financial Position
December 31, 2017

	Arts United	CAP, LLC	Consolidated Total
Assets			
Cash and cash equivalents	\$ 2,226,375	\$ 6,091	\$ 2,232,466
Contributions receivable net of allowance of \$8,500	850,619	-	850,619
Accounts receivable	193,904	-	193,904
Grants and prepaid expenses	22,153	-	22,153
Investments	8,083,610	-	8,083,610
Property and equipment	6,846,619	-	6,846,619
Beneficial interest in perpetual trusts	808,505	-	808,505
	<u>\$ 19,031,785</u>	<u>\$ 6,091</u>	<u>\$ 19,037,876</u>
Liabilities			
Accounts payable and accrued expenses	\$ 103,330	\$ 5,533	\$ 108,863
Funds held for others	217,726	-	217,726
Grants payable	574,641	-	574,641
Line of credit	276,527	-	276,527
Deferred revenue	52,629	-	52,629
Total liabilities	<u>1,224,853</u>	<u>5,533</u>	<u>1,230,386</u>
Net Assets			
Unrestricted			
Available for current operations and property and equipment	6,841,470	558	6,842,028
Board-designated	462,368	-	462,368
Total unrestricted	<u>7,303,838</u>	<u>558</u>	<u>7,304,396</u>
Temporarily restricted	5,807,820	-	5,807,820
Permanently restricted	4,695,274	-	4,695,274
Total net assets	<u>17,806,932</u>	<u>558</u>	<u>17,807,490</u>
Total liabilities and net assets	<u>\$ 19,031,785</u>	<u>\$ 6,091</u>	<u>\$ 19,037,876</u>

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Activities
Period From July 1, 2016 through December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Sub Total	CAP, LLC	Consolidated Total
Revenue, Gains and Other Support						
Contributions	\$ 1,450,384	\$ 824,182	\$ -	\$ 2,274,566	\$ -	\$ 2,274,566
Government grants	634,856	-	-	634,856	54,905	689,761
Other grants	-	-	-	-	510,924	510,924
Rental income	725,825	-	-	725,825	-	725,825
Box office income	147,568	-	-	147,568	-	147,568
Events	78,438	-	-	78,438	296,277	374,715
Investment income	9,140	330,873	-	340,013	-	340,013
Net realized and unrealized gain on investments	43,445	1,110,102	-	1,153,547	-	1,153,547
Change in value - perpetual trusts	-	-	44,813	44,813	-	44,813
Other	80,316	-	-	80,316	350	80,666
In-kind contributions	12,807	-	-	12,807	20,200	33,007
	<u>3,182,779</u>	<u>2,265,157</u>	<u>44,813</u>	<u>5,492,749</u>	<u>882,656</u>	<u>6,375,405</u>
Net assets released from restriction	1,062,993	(1,062,993)	-	-	-	-
Total revenue, gains and other support	<u>4,245,772</u>	<u>1,202,164</u>	<u>44,813</u>	<u>5,492,749</u>	<u>882,656</u>	<u>6,375,405</u>
Expenses						
Grants	1,025,742	-	-	1,025,742	-	1,025,742
Community development program	462,799	-	-	462,799	882,005	1,344,804
Arts campus operations	1,882,509	-	-	1,882,509	-	1,882,509
Business services	296,283	-	-	296,283	-	296,283
Total program services	<u>3,667,333</u>	<u>-</u>	<u>-</u>	<u>3,667,333</u>	<u>882,005</u>	<u>4,549,338</u>
General and administration	246,878	-	-	246,878	-	246,878
Fundraising	328,809	-	-	328,809	-	328,809
Total expenses	<u>4,243,020</u>	<u>-</u>	<u>-</u>	<u>4,243,020</u>	<u>882,005</u>	<u>5,125,025</u>
Change in Net Assets	2,752	1,202,164	44,813	1,249,729	651	1,250,380
Net Assets, Beginning of Year	<u>7,301,086</u>	<u>4,605,656</u>	<u>4,650,461</u>	<u>16,557,203</u>	<u>(93)</u>	<u>16,557,110</u>
Net Assets, End of Year	<u>\$ 7,303,838</u>	<u>\$ 5,807,820</u>	<u>\$ 4,695,274</u>	<u>\$ 17,806,932</u>	<u>\$ 558</u>	<u>\$ 17,807,490</u>

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Cash Flows
Period From July 1, 2016 through December 31, 2017

Operating Activities	
Change in net assets	\$ 1,250,380
Items not requiring (providing) operating activities cash flows	
Depreciation	611,498
Net realized and unrealized gains on investments	(1,153,547)
Change in value of beneficial interest in perpetual trusts	(44,813)
Changes in	
Receivables	(707,359)
Prepaid expenses	129,646
Accounts payable, accrued expenses and funds held by others	17,061
Grants payable	(39,741)
Deferred revenue	(300,175)
Net cash used in operating activities	<u>(237,050)</u>
Investing Activities	
Purchase of property and equipment	(295,493)
Purchase of investments	4,665,414
Sales and maturities of investments	(3,801,231)
Net cash provided by investing activities	<u>568,690</u>
Financing Activities	
Payments on line of credit	(97,500)
Net cash used in financing activities	<u>(97,500)</u>
Net Increase in Cash and Cash Equivalents	234,140
Cash and Cash Equivalents, Beginning of Year	<u>1,998,326</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,232,466</u>
Supplemental Cash Flows Information	
Interest paid	\$ 10,808

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Arts United of Greater Fort Wayne, Inc. (Organization) was incorporated as a not-for-profit organization in June 1955, under the laws of the state of Indiana. The Organization's mission is to provide support to arts organizations and unite and coordinate arts efforts within northeast Indiana. The Organization's support is derived principally from contributions.

During 2017, the Organization changed its year-end from June 30 to December 31.

Principle of Consolidation

The consolidated financial statements include the accounts of Arts United of Greater Fort Wayne, Inc. and CAP, LLC. All material interorganizational accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017, cash equivalents consisted primarily of money market funds.

At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$818,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Certificates of deposit are carried at cost. Realized and unrealized gains and losses are reflected in the statements of activities. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization is not considered to be a private foundation.

Property and Equipment

Expenditures for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Furniture and equipment	5-25
Building and land improvements	5-25
Buildings	30-50

Deferred Revenue

Income from grants is deferred and recognized over the periods to which the grants relate.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the period from July 1, 2016 through December 31, 2017, \$12,807 was received in in-kind contributions.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the level of effort and other methods.

Note 2: Contributions Receivable

Contributions receivable at December 31 consisted of the following:

Due within one year	\$ 281,524
Due in one to five years	<u>600,000</u>
	881,524
Less	
Allowance for uncollectible contributions	(8,500)
Unamortized discount	<u>(22,405)</u>
	<u>\$ 850,619</u>

The discount rate was 2.04 percent for the period ended December 31, 2017.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Note 3: Investments and Investment Return

The Organization's investments at December 31 are as follows:

U.S. Government securities	\$ 103,390
U.S. Government agency obligations	124,727
Corporate bonds	321,489
Common stocks	
Consumer	224,147
Energy	63,310
Financial	432,393
Service	291,864
Health care	323,749
Industrial	266,709
Information technology	539,239
Material	126,783
Telecommunication	9,527
Real estate	25,940
Utilities	51,539
Mutual funds	
Fixed income funds	2,045,954
Blended funds	1,446,952
Emerging market funds	122,375
Growth funds	768,131
Value funds	615,812
Real estate funds	91,959
Bank loan funds	61,216
Other funds	26,405
	<hr/>
Total	<u><u>\$ 8,083,610</u></u>

The following schedule summarizes the investment return and its classification in the statements of activities for the eighteen-months ended December 31, 2017:

Dividends and interest	\$ 340,013
Net realized and unrealized gains on investments	<u>1,153,547</u>
Total return on investments	<u><u>\$ 1,493,560</u></u>

Management fees relating to the above investments totaled \$64,457 for the period from July 1, 2016 through December 31, 2017.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Note 4: Property and Equipment

The Organization's property and equipment at December 31 are as follows:

Building and improvements	\$ 11,423,812
Furniture and equipment	1,623,511
Land improvements	763,867
Construction in progress	86,760
	13,897,950
Accumulated depreciation	(8,199,701)
	5,698,249
Land	1,148,370
	\$ 6,846,619

Note 5: Beneficial Interest in Perpetual Trusts

The Organization is the beneficiary under three perpetual trusts administered by an outside party. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$808,505, which represents the fair market value of the trust assets at December 31, 2017.

Note 6: Leases

The Organization leases office and arts facilities and equipment to other not-for-profit member organizations under various agreements, which are renewed annually. Rental income from the lease agreements for the period from July 1, 2016 through December 31, 2017, was \$725,825, which includes technical production, concession and parking fees. The gross amounts of property and equipment and related accumulated depreciation for leasing under operating leases are as follows:

Buildings and improvements	\$ 11,423,812
Property and equipment	1,623,511
	13,047,323
Accumulated depreciation	(7,656,731)
	\$ 5,390,592

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Future minimum rental income payments under operating leases are:

2018	\$ 193,003
2019	129,422
2020	83,365
2021	<u>58,152</u>
Total minimum lease payments	<u>\$ 463,942</u>

Note 7: Line of Credit

The Organization has a \$1,500,000 revolving line of credit expiring in February 2019. At December 31, 2017, there was \$276,527 borrowed against this line. The line is secured by investments. Interest varies at LIBOR plus 1.5 percent.

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Endowment, accumulated earnings	\$ 4,748,093
Campaign receivable	727,595
Campus development	235,545
Knight Foundation grant, branding	50,000
Lincoln internship program	30,000
Amplify Art	<u>16,587</u>
	<u>\$ 5,807,820</u>

Note 9: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

Investment in perpetuity, the income of which is expendable to support	
Facilities management activities	\$ 3,400,000
Any activity of the Organization	486,769
Beneficial interest in perpetual trusts	<u>808,505</u>
	<u>\$ 4,695,274</u>

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Note 10: Net Assets Released From Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by other events specified by donors:

Endowment distribution	\$ 341,011
Campaign activity	389,454
Other programs	<u>332,528</u>
	<u>\$ 1,062,993</u>

Note 11: Endowment

The Organization's endowment consists of two individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Indiana Uniform Prudent Management of Institutional Funds Act (Indiana UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Indiana UPMIFA. In accordance with Indiana UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Changes in endowment net assets for the period from July 1, 2016 through December 31, 2017, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	\$ —	\$ 3,686,593	\$ 4,650,461	\$ 8,337,054
Endowment earnings	—	1,440,976	44,813	1,485,789
Contributions	—	—	—	—
Endowment payout	—	(341,011)	—	(341,011)
Other payout	—	(38,465)	—	(38,465)
Endowment net assets, end of period	<u>\$ —</u>	<u>\$ 4,748,093</u>	<u>\$ 4,695,274</u>	<u>\$ 9,443,367</u>

The composition of net assets by type of endowment fund at December 31, 2017, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 4,748,093	\$ 4,695,274	\$ 9,443,367

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at December 31, 2017, consisted of:

Permanently restricted net assets, portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or Indiana UPMIFA	<u>\$ 4,695,274</u>
Temporarily restricted net assets, portion of perpetual endowment funds subject to a time restriction under Indiana UPMIFA with purpose restrictions	<u>\$ 4,748,093</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or Indiana UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2017.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that exceed appropriate benchmarks while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide an average rate of return of approximately 8 percent annually over time. Actual returns in any given year may vary from this amount.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 5 percent of its endowment fund's average fair value over the prior twelve quarters through the year-end preceding the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 12: Grants Payable

Grants to eligible arts and cultural organizations for general operating support. Grants approved in 2017 and paid in 2018 are as follows:

	Grants Approved for Payment in 2018
Operating support grants	
Fort Wayne Philharmonic	\$ 140,303
Fort Wayne Museum of Art	109,821
Fort Wayne Civic Theatre	82,366
Fort Wayne Ballet	80,379
Cinema Center	27,455
Allen County/Fort Wayne Historical Society	54,911
Fort Wayne Youtheatre	23,163
ARCH	16,473
Artlink	16,473
Fort Wayne Dance Collective	17,046
F.A.M.E	6,251
Total	\$ 574,641

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Note 13: Employee Benefits

The Organization maintains a 403(b) tax-deferred annuity plan for the benefit of all full-time employees, which allows for both employee and employer contributions. The Organization contributes a matching contribution of 50 percent of employee contributions, up to 3 percent to 4 percent of eligible employee compensation, based on length of service. The Organization's contribution to the plan was \$18,478 for the period from July 1, 2016 through December 31, 2017.

Note 14: Concentration

Contributions

Approximately 85 percent of all contributions receivable was from one donor at December 31, 2017. The Organization received one contribution that comprised 32 percent of total contribution income for the period from July 1, 2016 through December 31, 2017.

Note 15: Related Party Transactions

At December 31, 2017, the Organization had cash and investments of approximately \$1,248,000 at one financial institution where a Board member is either employed or has an ownership interest.

Note 16: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets 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 for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There were no liabilities measured at fair value on a recurring basis and no assets or liabilities measured at fair value on a nonrecurring basis. There have been no significant changes in the valuation techniques during the eighteen-months ended December 31, 2017.

Cash Equivalents and Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stocks, exchange-traded mutual funds, money market funds and U.S. Government securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy. The inputs used by the pricing services to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market publications. Level 2 securities include corporate bonds and U.S. Government agency obligations. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017:

	2017			
	Fair Value	Fair Value Measurements Using		
		Quoted	Significant	Significant
		Prices in		
	Active	Observable	Inputs	
	Markets for	Inputs	(Level 3)	
	Identical	(Level 2)		
	Assets			
	(Level 1)			
Assets				
Cash equivalents				
Money market funds	\$ 338,994	\$ 338,994	\$ -	\$ -
Investments				
U.S. Government securities	103,390	103,390	-	-
U.S. Government				
agency obligations	124,727	-	124,727	-
Corporate bonds	321,489	-	321,489	-
Common stocks				
Consumer	224,147	224,147	-	-
Energy	63,310	63,310	-	-
Financial	432,393	432,393	-	-
Service	291,864	291,864	-	-
Health care	323,749	323,749	-	-
Industrial	266,709	266,709	-	-
Information technology	539,239	539,239	-	-
Material	126,783	126,783	-	-
Telecommunication	9,527	9,527	-	-
Real estate	25,940	25,940	-	-
Utilities	51,539	51,539	-	-
Mutual funds				
Fixed income funds	2,045,954	2,045,954	-	-
Blended funds	1,446,952	1,446,952	-	-
Emerging market funds	122,375	122,375	-	-
Growth funds	768,131	768,131	-	-
Value funds	615,812	615,812	-	-
Real estate funds	91,959	91,959	-	-
Bank loan funds	61,216	61,216	-	-
Other funds	26,405	26,405	-	-
Beneficial interest in				
perpetual trusts	808,505	-	808,505	-

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2017

Note 17: Subsequent Events

Subsequent events have been evaluated through April 25, 2018, which is the date the financial statements were available to be issued.

Supplementary Information

Arts United of Greater Fort Wayne, Inc.
Analysis of Functional Expenses
Period From July 1, 2016 through December 31, 2017

	Program Services					General and Administration	2017 Total Expenses
	Grants	Community Development	Arts Campus Operations	Business Services	Fundraising		
Salaries and wages	\$ -	\$ 152,520	\$ 472,585	\$ 140,677	\$ 242,462	\$ 132,048	\$ 1,140,292
Employee benefits	-	23,405	73,817	21,605	37,809	23,405	180,041
Total salaries, wages and related expenses	-	175,925	546,402	162,282	280,271	155,453	1,320,333
Advertising/promotion	-	74,983	-	-	30,614	-	105,597
Auto expense	-	3,977	-	-	-	-	3,977
Board development/CAC	-	979	-	-	-	-	979
Building and stage supplies	-	11,625	47,803	-	-	-	59,428
Campaign and special events	-	159,271	-	-	-	-	159,271
Depreciation	-	-	611,498	-	-	-	611,498
Dues and subscriptions	-	1,782	1,000	-	-	473	3,255
Grants - AU operating support	574,641	-	-	-	-	-	574,641
Grants - Renaissance capital	37,568	-	-	-	-	-	37,568
Grants - IAC operating support	286,264	-	-	-	-	-	286,264
Grants - IAC project	69,415	-	-	-	-	-	69,415
Grants - Lincoln NAII program	19,037	-	-	-	-	-	19,037
Grants - Amplify Art	38,817	-	-	-	-	-	38,817
Insurance	-	4,000	49,727	-	-	-	53,727
Interest expense	-	-	10,808	-	-	-	10,808
Investment management and bank fees	-	-	70,449	30,328	-	-	100,777
Meetings and conferences	-	9,490	-	-	-	-	9,490
Office expense	-	-	23,490	56,728	-	58,327	138,545
Office supplies	-	7,050	2,473	1,219	-	-	10,742
Other expense	-	-	-	9,519	-	3,903	13,422
Postage	-	-	-	600	12,348	-	12,948
Printing and publications	-	8,546	-	4,531	5,576	-	18,653
Professional services and legal fees	-	-	6,500	31,076	-	28,722	66,298
Repairs and maintenance	-	2,040	135,592	-	-	-	137,632
Security	-	3,131	12,347	-	-	-	15,478
Telephone/internet	-	-	26,232	-	-	-	26,232
Utilities	-	-	338,188	-	-	-	338,188
Totals	\$ 1,025,742	\$ 462,799	\$ 1,882,509	\$ 296,283	\$ 328,809	\$ 246,878	\$ 4,243,020