

Arts United of Greater Fort Wayne, Inc.

Independent Auditor's Report and
Consolidated Financial Statements

December 31, 2021 and 2020

Arts United of Greater Fort Wayne, Inc.
December 31, 2021 and 2020

Contents

Independent Auditor's Report 1

Consolidated Financial Statements

Statements of Financial Position 4
Statements of Activities 6
Statements of Functional Expenses 8
Statements of Cash Flows 10
Notes to Financial Statements 11

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Arts United of Greater Fort Wayne, Inc., which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flow for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arts United of Greater Fort Wayne, Inc. as of December 31, 2021 and 2020, 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Arts United of Greater Fort Wayne, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts United of Greater Fort Wayne, Inc.'s ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Arts United of Greater Fort Wayne, Inc.'s 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts United of Greater Fort Wayne, Inc.'s ability to continue as a going concern for a reasonable period of time.

Consolidating Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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.

BKD, LLP

Fort Wayne, Indiana
May 20, 2022

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Financial Position
December 31, 2021

	2021		Consolidated Total
	Arts United	CAP, LLC	
Assets			
Cash and cash equivalents	\$ 2,098,679	\$ 36,389	\$ 2,135,068
Contributions receivable	3,614,471	18,413	3,632,884
Accounts receivable	78,973	-	78,973
Grants and prepaid expenses	41,762	-	41,762
Investments	11,478,457	-	11,478,457
Property and equipment	5,722,178	-	5,722,178
Beneficial interest in perpetual trusts	919,617	-	919,617
	<u>\$ 23,954,137</u>	<u>\$ 54,802</u>	<u>\$ 24,008,939</u>
Liabilities			
Accounts payable and accrued expenses	\$ 103,664	\$ -	\$ 103,664
Funds held for others	16,586	-	16,586
Deferred revenue	17,522	-	17,522
Total liabilities	<u>137,772</u>	<u>-</u>	<u>137,772</u>
Net Assets			
Without donor restrictions			
Available for current operations and property and equipment	7,559,585	54,802	7,614,387
Board-designated	424,808	-	424,808
Total without donor restrictions	<u>7,984,393</u>	<u>54,802</u>	<u>8,039,195</u>
With donor restrictions	15,831,972	-	15,831,972
Total net assets	<u>23,816,365</u>	<u>54,802</u>	<u>23,871,167</u>
	<u>\$ 23,954,137</u>	<u>\$ 54,802</u>	<u>\$ 24,008,939</u>
Total liabilities and net assets	<u>\$ 23,954,137</u>	<u>\$ 54,802</u>	<u>\$ 24,008,939</u>

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Financial Position
December 31, 2020

	2020		Consolidated Total
	Arts United	CAP, LLC	
Assets			
Cash and cash equivalents	\$ 2,078,236	\$ 16,654	\$ 2,094,890
Contributions receivable	3,966,418	52,575	4,018,993
Accounts receivable	121,570	-	121,570
Grants and prepaid expenses	45,629	-	45,629
Investments	8,416,465	-	8,416,465
Property and equipment	5,956,029	-	5,956,029
Beneficial interest in perpetual trusts	880,725	-	880,725
	<u>\$ 21,465,072</u>	<u>\$ 69,229</u>	<u>\$ 21,534,301</u>
Liabilities			
Accounts payable and accrued expenses	\$ 118,137	\$ -	\$ 118,137
Funds held for others	15,810	-	15,810
Deferred revenue	321,326	-	321,326
Total liabilities	<u>455,273</u>	<u>-</u>	<u>455,273</u>
Net Assets			
Without donor restrictions			
Available for current operations and property and equipment	7,395,045	69,229	7,464,274
Board-designated	424,808	-	424,808
Total without donor restrictions	<u>7,819,853</u>	<u>69,229</u>	<u>7,889,082</u>
With donor restrictions	13,189,946	-	13,189,946
Total net assets	<u>21,009,799</u>	<u>69,229</u>	<u>21,079,028</u>
Total liabilities and net assets	<u>\$ 21,465,072</u>	<u>\$ 69,229</u>	<u>\$ 21,534,301</u>

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Subtotal	CAP, LLC	Consolidated Total
Revenue, Gains (Losses) and Other Support					
Contributions	\$ 2,085,916	\$ 2,454,343	\$ 4,540,259	\$ -	\$ 4,540,259
Government grants					
Indiana Arts Commission	21,106	-	21,106	-	21,106
City of Fort Wayne	95,000	-	95,000	-	95,000
SBA	242,800	-	242,800	-	242,800
CARES Act	-	-	-	-	-
Rental income	316,098	-	316,098	-	316,098
Box office income	107,297	-	107,297	-	107,297
Events	3,650	-	3,650	-	3,650
Investment income	6,283	182,588	188,871	-	188,871
Net realized and unrealized gains on investments	52,124	1,037,826	1,089,950	-	1,089,950
Change in value - perpetual trusts	-	38,891	38,891	-	38,891
Other	52,186	60,000	112,186	-	112,186
In-kind contributions	500	-	500	-	500
	<u>2,982,960</u>	<u>3,773,648</u>	<u>6,756,608</u>	<u>-</u>	<u>6,756,608</u>
Net assets released from restriction	<u>1,131,622</u>	<u>(1,131,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>4,114,582</u>	<u>2,642,026</u>	<u>6,756,608</u>	<u>-</u>	<u>6,756,608</u>
Expenses					
Grants	1,374,307	-	1,374,307	-	1,374,307
Community development program	423,876	-	423,876	14,427	438,303
Arts campus operations	1,399,511	-	1,399,511	-	1,399,511
Business services	345,341	-	345,341	-	345,341
Total program services	<u>3,543,035</u>	<u>-</u>	<u>3,543,035</u>	<u>14,427</u>	<u>3,557,462</u>
General and administration	254,245	-	254,245	-	254,245
Fundraising	152,762	-	152,762	-	152,762
Total expenses	<u>3,950,042</u>	<u>-</u>	<u>3,950,042</u>	<u>14,427</u>	<u>3,964,469</u>
Change in Net Assets	164,540	2,642,026	2,806,566	(14,427)	2,792,139
Net Assets, Beginning of Year	<u>7,819,853</u>	<u>13,189,946</u>	<u>21,009,799</u>	<u>69,229</u>	<u>21,079,028</u>
Net Assets, End of Year	<u>\$ 7,984,393</u>	<u>\$ 15,831,972</u>	<u>\$ 23,816,365</u>	<u>\$ 54,802</u>	<u>\$ 23,871,167</u>

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Subtotal	CAP, LLC	Consolidated Total
Revenue, Gains (Losses) and Other Support					
Contributions	\$ 2,133,329	\$ 51,106	\$ 2,184,435	\$ 192,670	\$ 2,377,105
Government grants					
Indiana Arts Commission	107,290	-	107,290	-	107,290
City of Fort Wayne	95,000	-	95,000	-	95,000
SBA	10,000	-	10,000	-	10,000
CARES Act	54,061	-	54,061	-	54,061
Rental income	335,823	-	335,823	-	335,823
Box office income	90,380	-	90,380	-	90,380
Investment income	6,657	158,390	165,047	-	165,047
Net realized and unrealized gains on investments	47,385	877,390	924,775	-	924,775
Change in value - perpetual trusts	-	57,381	57,381	-	57,381
Other	59,477	-	59,477	2,751	62,228
In-kind contributions	102,150	-	102,150	-	102,150
	<u>3,041,552</u>	<u>1,144,267</u>	<u>4,185,819</u>	<u>195,421</u>	<u>4,381,240</u>
Net assets released from restriction	1,703,720	(1,703,720)	-	-	-
Total revenue, gains (losses) and other support	<u>4,745,272</u>	<u>(559,453)</u>	<u>4,185,819</u>	<u>195,421</u>	<u>4,381,240</u>
Expenses					
Grants	1,373,341	-	1,373,341	-	1,373,341
Community development program	565,278	-	565,278	179,124	744,402
Arts campus operations	1,308,294	-	1,308,294	-	1,308,294
Business services	280,524	-	280,524	-	280,524
Total program services	<u>3,527,437</u>	<u>-</u>	<u>3,527,437</u>	<u>179,124</u>	<u>3,706,561</u>
General and administration	147,667	-	147,667	-	147,667
Fundraising	230,706	-	230,706	-	230,706
Total expenses	<u>3,905,810</u>	<u>-</u>	<u>3,905,810</u>	<u>179,124</u>	<u>4,084,934</u>
Change in Net Assets	839,462	(559,453)	280,009	16,297	296,306
Net Assets, Beginning of Year	<u>6,980,391</u>	<u>13,749,399</u>	<u>20,729,790</u>	<u>52,932</u>	<u>20,782,722</u>
Net Assets, End of Year	<u>\$ 7,819,853</u>	<u>\$ 13,189,946</u>	<u>\$ 21,009,799</u>	<u>\$ 69,229</u>	<u>\$ 21,079,028</u>

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services						Total Expenses
	Grants	Community Development	Arts Campus Operations	Business Services	General and Administration	Fundraising	
Salaries and wages	\$ -	\$ 255,294	\$ 441,686	\$ 149,788	\$ 110,276	\$ 66,259	\$ 1,023,303
Employee benefits	-	44,158	77,706	26,352	19,401	11,657	179,274
Total salaries, wages and related expenses	-	299,452	519,392	176,140	129,677	77,916	1,202,577
Annual fund drive	-	-	-	-	-	17,549	17,549
Architectural planning	-	-	-	-	-	-	-
Artist fees	-	350	-	-	-	-	350
Bad debt expense	-	-	-	-	-	600	600
Bank charges and credit card fees	-	-	80	10,097	5,356	3,864	19,397
Building and janitorial supplies	-	-	11,856	-	-	-	11,856
Building contracts	-	-	31,198	-	-	-	31,198
Campaign materials	-	-	-	-	-	13,934	13,934
Computer, IT, phone and software	-	-	20,127	26,225	58,254	18,441	123,047
Concessions	-	-	10,609	-	-	-	10,609
Consulting	-	-	-	-	-	-	-
COVID-19 expenses	-	-	-	-	-	-	-
Depreciation	-	-	381,191	-	-	-	381,191
Dues and subscriptions	-	-	544	-	1,422	1,561	3,527
Economic Impact Study	-	4,425	-	-	-	-	4,425
Equip/building repair/maint	-	-	55,975	67	-	-	56,042
Festival labor	-	-	-	-	-	-	-
Foellinger Grant	171,125	-	-	-	-	-	171,125
Fundraising events and visibility	-	-	-	-	-	4,445	4,445
Grants - Amplify Art! Project	16,345	-	-	-	-	-	16,345
Grants - public art	-	-	-	-	-	1,000	1,000
General liability insurance	-	-	28,148	-	10,080	-	38,228
Grants - Culteral district support - Go Live	88,889	-	-	-	-	-	88,889
Grants - IAC operating support	-	-	-	-	-	-	-
Grants - Lincoln NAII program	23,004	-	-	-	-	-	23,004
Grants - Other project support	9,228	-	-	-	-	-	9,228
Grants - Resilience initiative payout	1,065,716	-	-	-	-	-	1,065,716
Grounds maintenance	-	-	19,456	-	-	-	19,456
Guest services expense	-	-	1,626	-	-	-	1,626
Hospitality	-	2,577	-	-	-	-	2,577
Insurance	-	-	-	-	-	-	-
Investment fees	-	-	-	70,234	-	-	70,234
Legal and accounting fees	-	-	-	-	26,181	-	26,181
Marketing	-	11,098	13,639	-	-	-	24,737
Marketing, branding and promotion	-	120,000	-	-	-	-	120,000
Meeting and hospitality	-	-	120	138	74	2,260	2,592
Miscellaneous expense	-	-	10,524	-	13,472	442	24,438
Office supplies	-	56	198	1,852	4,784	455	7,345
Postage	-	-	-	-	4,796	7,916	12,712
Printing - operations	-	345	-	451	-	783	1,579
Production, sound and stage	-	-	22,717	-	-	-	22,717
Professional development	-	-	1,141	-	149	1,596	2,886
Rentals	-	-	-	17,863	-	-	17,863
Reorganizational costs	-	-	-	42,274	-	-	42,274
Security	-	-	7,167	-	-	-	7,167
Stage maintenance contracts	-	-	3,175	-	-	-	3,175
Supplies	-	-	7,669	-	-	-	7,669
Trash	-	-	7,762	-	-	-	7,762
Travel, hotel, and food	-	-	-	-	-	-	-
Utilities	-	-	245,197	-	-	-	245,197
Total	\$ 1,374,307	\$ 438,303	\$ 1,399,511	\$ 345,341	\$ 254,245	\$ 152,762	\$ 3,964,469

Arts United of Greater Fort Wayne, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services						Total Expenses
	Grants	Community Development	Arts Campus Operations	Business Services	General and Administration	Fundraising	
Salaries and wages	\$ -	\$ 378,488	\$ 371,631	\$ 79,685	\$ 41,946	\$ 65,534	\$ 937,284
Employee benefits	-	38,659	93,451	20,038	10,548	16,479	179,175
Total salaries, wages and related expenses	-	417,147	465,082	99,723	52,494	82,013	1,116,459
Annual fund drive	-	-	-	-	-	16,477	16,477
Architectural planning	-	-	-	-	-	3,400	3,400
Artist fees	-	76,775	-	-	-	-	76,775
Bad debt expense	-	11,754	125	2,700	-	-	14,579
Bank charges and credit card fees	-	1,021	64	6,874	6,712	-	14,671
Building and janitorial supplies	-	-	12,148	-	-	-	12,148
Building contracts	-	-	34,677	-	-	-	34,677
Campaign materials	-	-	-	-	-	10,377	10,377
Computer, IT, phone and software	-	-	59,647	10,535	20,204	18,103	108,489
Concessions	-	-	7,625	-	-	-	7,625
Consulting	-	18,928	-	-	-	-	18,928
COVID-19 expenses	-	-	22,924	1,500	-	-	24,424
Depreciation	-	-	396,126	-	-	-	396,126
Dues and subscriptions	-	881	1,502	-	272	-	2,655
Equip/building repair/maint	-	-	34,929	-	-	-	34,929
Festival labor	-	12,091	-	-	-	-	12,091
Fundraising events and visibility	-	-	-	200	-	5,764	5,964
Grants - public art	-	-	-	-	-	94,572	94,572
General liability insurance	-	-	-	-	38,181	-	38,181
Grants - IAC operating support	66,000	-	-	-	-	-	66,000
Grants - Lincoln NAII program	17,639	-	-	-	-	-	17,639
Grants - Resilience initiative payout	1,289,702	-	-	-	-	-	1,289,702
Grounds maintenance	-	-	18,711	-	-	-	18,711
Guest services expense	-	-	5,533	-	-	-	5,533
Hospitality	-	2,037	-	-	-	-	2,037
Insurance	-	1,473	-	-	-	-	1,473
Investment fees	-	-	-	45,740	-	-	45,740
Legal and accounting fees	-	-	3,440	-	25,681	-	29,121
Marketing	-	39,373	-	4,134	-	-	43,507
Marketing, branding and promotion	-	110,000	-	-	-	-	110,000
Meeting and hospitality	-	792	63	-	-	-	855
Miscellaneous expense	-	6,444	-	4,128	837	-	11,409
Office supplies	-	571	1,713	1,179	969	-	4,432
Postage	-	7,791	756	-	2,267	-	10,814
Printing - operations	-	-	2,461	-	-	-	2,461
Production, sound and stage	-	-	-	103,233	-	-	103,233
Professional development	-	1,645	15	-	50	-	1,710
Rentals	-	8,851	-	116	-	-	8,967
Reorganizational costs	-	4,500	-	-	-	-	4,500
Security	-	-	4,549	-	-	-	4,549
Stage maintenance contracts	-	-	7,173	-	-	-	7,173
Supplies	-	17,515	1,473	462	-	-	19,450
Trash	-	-	5,489	-	-	-	5,489
Travel, hotel, and food	-	4,813	238	-	-	-	5,051
Utilities	-	-	221,831	-	-	-	221,831
Total	\$ 1,373,341	\$ 744,402	\$ 1,308,294	\$ 280,524	\$ 147,667	\$ 230,706	\$ 4,084,934

Arts United of Greater Fort Wayne, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 2,792,139	\$ 296,306
Items not requiring (providing) operating activities cash flows		
Depreciation	381,191	396,126
Net realized and unrealized gains on investments	(1,089,950)	(924,776)
Change in value of beneficial interest in perpetual trusts	(38,892)	(57,381)
Contributions received and payments received on contributions receivable restricted to acquisition of capital assets	(2,454,343)	-
Changes in		
Receivables	428,706	427,502
Prepaid expenses	3,867	35,667
Accounts payable, accrued expenses and funds held by others	(13,697)	(118,056)
Grants payable	-	(639,852)
Deferred revenue	(303,804)	155,160
Net cash used in operating activities	<u>(294,783)</u>	<u>(429,304)</u>
Investing Activities		
Purchase of property and equipment	(147,340)	-
Sales and maturities of investments	8,305,437	3,443,025
Purchase of investments	(10,277,479)	(2,658,476)
Net cash provided by investing activities	<u>(2,119,382)</u>	<u>784,549</u>
Financing Activities		
Payments on line of credit	-	(81,527)
Proceeds from contributions received and payments received on contributions receivable restricted to acquisition of capital assets	2,454,343	-
Net cash provided by (used in) financing activities	<u>2,454,343</u>	<u>(81,527)</u>
Net Increase in Cash and Cash Equivalents	40,178	273,718
Cash and Cash Equivalents, Beginning of Year	<u>2,094,890</u>	<u>1,821,172</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,135,068</u>	<u>\$ 2,094,890</u>

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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.

Net Assets – Basis of Presentation

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. The definitions used to clarify and report net assets are as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor imposed stipulations and are available for use in general operations or are part of what is invested in property, plant and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (*i.e.*, specific purpose reserves or endowments).

Net Assets With Donor Restrictions – Net assets subject to donor imposed stipulations (1) that will be met either by actions of the Organization or the passage of time or (2) that are to be permanently maintained by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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, 2021 and 2020, cash equivalents consisted primarily of money market funds.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

At December 31, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$669,000.

Investments and Investment Return

Investments are carried at fair value; realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Management has deemed all accounts receivable fully collectible; therefore, there is no allowance at December 31, 2021 and 2020.

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.

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

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 consolidated financial statements and similarly increase contribution revenue by a like amount. For years ended December 31, 2021 and 2020, \$500 and \$102,150, respectively, was received in in-kind contributions.

Note 2: Contributions Receivable

Contributions receivable at December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 682,061	\$ 1,663,886
Due in one to five years	<u>3,071,883</u>	<u>2,468,007</u>
	3,753,944	4,131,893
Less		
Unamortized discount	<u>(121,060)</u>	<u>(112,900)</u>
	<u>\$ 3,632,884</u>	<u>\$ 4,018,993</u>

The discount rate was 0.73 percent and 0.16 percent for the years ended December 31, 2021 and 2020, respectively.

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 3: Investments and Investment Return

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

	2021	2020
U.S. Government securities	\$ 177,319	\$ 183,418
U.S. Government agency obligations	50,794	77,599
Corporate bonds	130,673	162,233
Common stocks		
Consumer	370,638	320,457
Energy	72,364	27,961
Financial	346,720	334,056
Service	193,632	204,387
Health care	484,274	327,023
Industrial	186,949	234,439
Information technology	930,176	791,094
Material	105,099	69,681
Telecommunication	36,649	113,590
Real estate	21,733	8,495
Utilities	38,586	53,297
Mutual funds		
Money Market	1,957,713	-
Fixed income funds	2,841,528	2,362,930
Blended funds	1,938,944	1,696,592
Emerging market funds	102,140	195,030
Growth funds	916,556	647,244
Value funds	372,086	399,976
Real estate funds	162,073	134,329
Bank loan funds	19,687	49,362
Other funds	22,124	23,272
	\$ 11,478,457	\$8,416,465

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2021 and 2020:

	2021	2020
Dividends and interest	\$ 188,871	\$ 165,047
Net realized and unrealized gains on investments	1,089,950	924,775
	\$ 1,278,821	\$ 1,089,822

Investment fees relating to the above investments totaled \$70,234 and \$45,740 for the years ended December 31, 2021 and 2020, respectively. These fees are netted against dividends and interest.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Note 4: Property and Equipment

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

	2021	2020
Building and improvements	\$ 11,712,272	\$ 11,632,480
Furniture and equipment	1,717,110	1,706,198
Land improvements	763,867	763,867
Construction in progress	<u>177,189</u>	<u>120,553</u>
	14,370,438	14,223,098
Accumulated depreciation	<u>(9,796,630)</u>	<u>(9,415,439)</u>
	4,573,808	4,807,659
Land	<u>1,148,370</u>	<u>1,148,370</u>
	<u>\$ 5,722,178</u>	<u>\$ 5,956,029</u>

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 \$919,617 and \$880,725, which represents the fair market value of the trust assets at December 31, 2021 and 2020, respectively.

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 years ended December 31, 2021 and 2020, was \$316,098 and \$335,823, respectively, 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:

	2021	2020
Buildings and improvements	\$ 11,712,272	\$ 11,632,480
Furniture and equipment	<u>1,717,110</u>	<u>1,706,198</u>
	13,429,382	13,338,678
Accumulated depreciation	<u>(9,796,630)</u>	<u>(9,415,439)</u>
	<u>\$ 3,632,752</u>	<u>\$ 3,923,239</u>

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Future minimum rental income payments under operating leases are:

2022	\$ 151,059
2023	48,951
2024	<u>8,255</u>
Total minimum lease payments	<u>\$ 208,265</u>

Note 7: Line of Credit

The Organization has a \$1,500,000 revolving line of credit expiring in July 2022. At both December 31, 2021 and 2020, there was \$0, borrowed against this line. The line is secured by investments. Interest varies at LIBOR plus 1.5 percent.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Campaigns receivable - time	\$ 3,614,471	\$ 3,675,831
Campaigns funds, Soaring Vision	1,952,690	-
Public Art program	13,326	15,265
Lincoln internship program	<u>12,612</u>	<u>35,616</u>
Subject to specified purpose or time	5,593,099	3,726,712
Endowments		
Subject to appropriation and expenditure when a specified event occurs	5,432,487	4,695,740
Investment in perpetuity, the income of which is expendable to fund facilities management activities and other activities of the Organization	3,886,769	3,886,769
Beneficial interest in perpetual trusts	<u>919,617</u>	<u>880,725</u>
Total endowments	<u>10,238,873</u>	<u>9,463,234</u>
Total net assets with donor restrictions	<u>\$ 15,831,972</u>	<u>\$ 13,189,946</u>

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Campaign activity	\$ 545,436	\$ 277,291
Soaring Vision Pledge to Resilience	-	90,000
Endowment distribution	563,182	1,044,471
Other programs	23,004	291,958
	<u>\$ 1,131,622</u>	<u>\$ 1,703,720</u>

Note 9: 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 is subject to the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net asset with restrictions to net asset without donor restrictions. The governing body of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMFIFA to permit not spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMFIA, the Foundation 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, 2021 and 2020

Changes in endowment net assets for the year ended December 31, 2021, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ —	\$ 9,463,234	\$ 9,463,234
Endowment earnings	—	1,338,821	1,338,821
Contributions	—	—	—
Endowment payout	—	(563,182)	(563,182)
Endowment net assets, end of period	<u>\$ —</u>	<u>\$ 10,238,873</u>	<u>\$ 10,238,873</u>

Amounts of donor-restricted endowment funds classified as net assets with donor restrictions consisted of:

Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or Indiana UPMIFA	<u>\$ 4,806,385</u>
Portion of perpetual endowment funds subject to a time restriction under Indiana UPMIFA with purpose restrictions	<u>\$ 5,432,488</u>

Changes in endowment net assets for the year ended December 31, 2020, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ —	\$ 9,460,284	\$ 9,460,284
Endowment earnings	—	1,047,421	1,047,421
Contributions	—	—	—
Endowment payout	—	(1,044,471)	(1,044,471)
Endowment net assets, end of period	<u>\$ —</u>	<u>\$ 9,463,234</u>	<u>\$ 9,463,234</u>

Amounts of donor-restricted endowment funds classified as net assets with donor restrictions consisted of:

Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or Indiana UPMIFA	<u>\$ 4,767,494</u>
Portion of perpetual endowment funds subject to a time restriction under Indiana UPMIFA with purpose restrictions	<u>\$ 4,750,171</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 net assets without restrictions. There were no such deficiencies at December 31, 2021 and 2020.

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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.

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 12 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 10: Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash	\$ 2,135,068	\$ 2,094,890
Accounts receivable	78,973	121,570
Cash collections from contributions receivable within one year	682,061	1,290,900
Endowment draw	520,100	523,138
Investments	11,478,457	8,416,465
	<u>14,894,659</u>	<u>12,446,963</u>
Less, net assets restricted for endowment	(9,319,256)	(8,582,509)
Less, net assets restricted by donor for purpose	(1,978,628)	(50,881)
Less, net assets board designated	<u>(424,808)</u>	<u>(424,808)</u>
	<u>\$ 3,171,967</u>	<u>\$ 3,388,765</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

Arts United of Greater Fort Wayne, Inc.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and receivables, as well as a line of credit (Note 7).

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 \$20,322 and \$19,184 for the years ended December 31, 2021 and 2020, respectively.

Note 11: Concentration

Contributions

Approximately 55 percent and 58 percent of all contributions receivable were from one donor and two donors at December 31, 2021 and 2020, respectively. The Organization received one and three contributions for the years ended December 31, 2021 and 2020, respectively, that comprised approximately 34 percent and 42 percent of total contribution income, respectively.

Note 12: Related Party Transactions

At December 31, 2021 and 2020, the Organization had cash and investments of approximately \$835,922 and \$729,261, respectively, at one financial institution and two financial institutions, respectively, where a Board member is either employed or has an ownership interest.

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 13: 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, 2021 and 2020

The following tables present 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, 2021 and 2020:

	2021			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	\$ 319,420	\$ 319,420	\$ -	\$ -
Investments				
U.S. Government securities	177,319	177,319	-	-
U.S. Government agency obligations	50,794	-	50,794	-
Corporate bonds	130,673	-	130,673	-
Common stocks				
Consumer	370,638	370,638	-	-
Energy	72,364	72,364	-	-
Financial	346,720	346,720	-	-
Service	193,632	193,632	-	-
Health care	484,274	484,274	-	-
Industrial	186,949	186,949	-	-
Information technology	930,176	930,176	-	-
Material	105,099	105,099	-	-
Telecommunication	36,649	36,649	-	-
Real estate	21,733	21,733	-	-
Utilities	38,586	38,586	-	-
Mutual funds				
Money market	1,957,713	1,957,713	-	-
Fixed income funds	2,841,528	2,841,528	-	-
Blended funds	1,938,944	1,938,944	-	-
Emerging market funds	102,140	102,140	-	-
Growth funds	916,556	916,556	-	-
Value funds	372,086	372,086	-	-
Real estate funds	162,073	162,073	-	-
Bank loan funds	19,687	19,687	-	-
Other funds	22,124	22,124	-	-
Beneficial interest in perpetual trusts	919,617	-	919,617	-

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

	2020			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	\$ 186,825	\$ 186,825	\$ -	\$ -
Investments				
U.S. Government securities	183,418	183,418	-	-
U.S. Government agency obligations	77,599	-	77,599	-
Corporate bonds	162,233	-	162,233	-
Common stocks				
Consumer	320,457	320,457	-	-
Energy	27,961	27,961	-	-
Financial	334,056	334,056	-	-
Service	204,387	204,387	-	-
Health care	327,023	327,023	-	-
Industrial	234,439	234,439	-	-
Information technology	791,094	791,094	-	-
Material	69,681	69,681	-	-
Telecommunication	113,590	113,590	-	-
Real estate	8,495	8,495	-	-
Utilities	53,297	53,297	-	-
Mutual funds				
Fixed income funds	2,362,930	2,362,930	-	-
Blended funds	1,696,592	1,696,592	-	-
Emerging market funds	195,030	195,030	-	-
Growth funds	647,244	647,244	-	-
Value funds	399,976	399,976	-	-
Real estate funds	134,329	134,329	-	-
Bank loan funds	49,362	49,362	-	-
Other funds	23,272	23,272	-	-
Beneficial interest in perpetual trusts	880,725	-	880,725	-

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 year ended December 31, 2021.

Arts United of Greater Fort Wayne, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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.

Note 14: *Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events*

The Organization received PPP loans established by the CARES Act and elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognizing when conditions are met, which include meeting FTE and salary reduction requirement and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to the recognition or revenue.

The Organization received its first draw on May 4, 2020, in the amount of \$242,800. The Organization recognized the revenue related to the first draw in the year ended December 31, 2021, as all relevant conditions had been met at year-end and the Organization had received notice of formal forgiveness by the SBA. This revenue is reported within government grants on the consolidated statement of activities.

Note 15: *Subsequent Events*

Subsequent events have been evaluated through May 20, 2022, which is the date the consolidated financial statements were available to be issued.