

**ARTS UNITED OF GREATER
FORT WAYNE, INC. AND
CULTURAL ADVANCEMENT
PROJECTS, INC.**

FINANCIAL STATEMENTS

Year Ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Arts United of Greater Fort Wayne, Inc.
and Cultural Advancement Projects, LLC
Fort Wayne, Indiana

Opinion

We have audited the accompanying consolidated financial statements of Arts United of Greater Fort Wayne, Inc. and Cultural Advancement Projects, LLC (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts United of Greater Fort Wayne, Inc. and Cultural Advancement Projects, LLC as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arts United of Greater Fort Wayne, Inc. and Cultural Advancement Projects, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 controls 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 Arts United of Greater Fort Wayne, Inc. and Cultural Advancement Projects, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Arts United of Greater Fort Wayne, Inc. and Cultural Advancement Projects LLC'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 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. and Cultural Advancement Projects, LLC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of government funds received on page 22 is presented for purposes of additional analysis as required by the Indiana State Board of Accounts and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of government funds received is fairly stated, in all material respects, in relation to the financial statements as a whole.



Fort Wayne, Indiana
March 30, 2023

**ARTS UNITED OF GREATER FORT WAYNE, INC.
AND CULTURAL ADVANCEMENT PROJECTS, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2022**

	Arts United	CAP, LLC	Total
ASSETS			
Cash and cash equivalents	\$ 1,911,140	\$ 25,889	\$ 1,937,029
Contributions receivable - net	8,559,425	-	8,559,425
Accounts receivable	168,153	-	168,153
Prepaid expenses	57,827	-	57,827
Funds held for others	9,834	-	9,834
Endowment investments	8,082,351	-	8,082,351
Cash and cash equivalents restricted to long-term purposes	860,633	-	860,633
Investments restricted to long-term purposes	1,385,655	-	1,385,655
Investments	582,962	-	582,962
Property and equipment - net	5,659,763	-	5,659,763
Beneficial interest in perpetual trusts	721,241	-	721,241
	<u>\$ 27,998,984</u>	<u>\$ 25,889</u>	<u>\$ 28,024,873</u>
Total Assets	\$ 27,998,984	\$ 25,889	\$ 28,024,873
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 96,788	\$ -	\$ 96,788
Accrued expenses and withholdings	47,591	-	47,591
Funds held for others	9,834	-	9,834
	<u>154,213</u>	<u>-</u>	<u>154,213</u>
Total Liabilities	154,213	-	154,213
Net Assets:			
Without donor restrictions	8,210,753	25,889	8,236,642
With donor restrictions	19,634,018	-	19,634,018
	<u>27,844,771</u>	<u>25,889</u>	<u>27,870,660</u>
Total Net Assets	27,844,771	25,889	27,870,660
Total Liabilities and Net Assets	\$ 27,998,984	\$ 25,889	\$ 28,024,873

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

**ARTS UNITED OF GREATER FORT WAYNE, INC.
AND CULTURAL ADVANCEMENT PROJECTS, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Arts United Total	CAP, LLC Without Donor Restrictions	Total
CHANGES IN NET ASSETS					
Support and Revenues:					
Contributions and grants	\$ 997,605	\$ 5,816,639	\$ 6,814,244	\$ -	\$ 6,814,244
Government grants	549,651	976,701	1,526,352	-	1,526,352
Contributed nonfinancial assets	2,500	-	2,500	-	2,500
Rental income	572,201	-	572,201	-	572,201
Box office income	124,857	-	124,857	-	124,857
Event income	4,900	-	4,900	-	4,900
Regional Arts Council revenue	31,993	-	31,993	-	31,993
Other income	3,496	-	3,496	-	3,496
Investment income	16,340	131,083	147,423	-	147,423
Net Assets Released From Restrictions	1,137,290	(1,137,290)	-	-	-
Total Support and Revenues	3,440,833	5,787,133	9,227,966	-	9,227,966
Expenses and Losses:					
Grants	474,111	-	474,111	-	474,111
Community development	521,863	-	521,863	28,913	550,776
Arts campus	1,525,262	-	1,525,262	-	1,525,262
Business services	362,875	-	362,875	-	362,875
Administration	308,009	-	308,009	-	308,009
Fundraising	132,850	-	132,850	-	132,850
Loss on investments	-	1,714,305	1,714,305	-	1,714,305
Change in value of beneficial interests	-	160,285	160,285	-	160,285
Total Expenses and Losses	3,324,970	1,874,590	5,199,560	28,913	5,228,473
CHANGE IN NET ASSETS	115,863	3,912,543	4,028,406	(28,913)	3,999,493
NET ASSETS - January 1, 2022 - as originally stated	7,984,393	15,831,972	23,816,365	54,802	23,871,167
RECLASSIFICATION	110,497	(110,497)	-	-	-
NET ASSETS - January 1, 2022 - as restated	8,094,890	15,721,475	23,816,365	54,802	23,871,167
NET ASSETS - December 31, 2022	\$ 8,210,753	\$ 19,634,018	\$ 27,844,771	\$ 25,889	\$ 27,870,660

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

**ARTS UNITED OF GREATER FORT WAYNE, INC.
AND CULTURAL ADVANCEMENT PROJECTS, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022**

	Grants	Community Development	Arts Campus	Business Services	Administration	Fundraising	Total
Salaries	\$ -	\$ 251,648	\$ 495,117	\$ 200,803	\$ 141,259	\$ 66,474	\$ 1,155,301
Payroll taxes	-	20,834	37,912	11,242	10,895	5,128	86,011
Employment benefits	-	27,232	49,357	12,328	26,996	-	115,913
Total Salaries and Related Expenses	-	299,714	582,386	224,373	179,150	71,602	1,357,225
Grants	474,111	14,392	-	45,502	-	-	534,005
Utilities	-	-	291,071	-	-	-	291,071
Advertising	-	152,010	-	53	-	53,229	205,292
Repairs and maintenance	-	4,185	109,129	44,480	168	-	157,962
Information technology	-	28,535	18,297	24,044	72,105	-	142,981
Occupancy	-	500	57,228	-	-	-	57,728
Professional fees	-	6,440	9,712	-	29,771	-	45,923
Insurance	-	735	29,158	-	6,897	-	36,790
Office	-	14,243	1,328	4,192	8,911	-	28,674
Concessions	-	2,576	25,288	-	-	-	27,864
Bad debt	-	18,413	-	-	-	8,019	26,432
Supplies	-	-	24,630	-	(780)	-	23,850
Bank fees	-	-	203	18,283	4,778	-	23,264
Other expenses	-	2,396	4,233	94	5,661	-	12,384
Conferences and meetings	-	6,032	2,017	1,854	1,348	-	11,251
Travel	-	605	4,057	-	-	-	4,662
Total Expenses Before Depreciation	474,111	550,776	1,158,737	362,875	308,009	132,850	2,987,358
Depreciation	-	-	366,525	-	-	-	366,525
Total Functional Expenses	<u>\$ 474,111</u>	<u>\$ 550,776</u>	<u>\$ 1,525,262</u>	<u>\$ 362,875</u>	<u>\$ 308,009</u>	<u>\$ 132,850</u>	<u>\$ 3,353,883</u>

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

**ARTS UNITED OF GREATER FORT WAYNE, INC.
AND CULTURAL ADVANCEMENT PROJECTS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 3,999,493
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Contributions receivable for long-term purposes	(6,002,000)
Change in present value discount	463,340
Cash contributions for long-term purposes	(33,278)
Depreciation	366,525
Provision for bad debts	26,432
Reinvested interest	(147,010)
(Gain) loss on investments	1,714,305
Change in value of beneficial interest in perpetual trusts	160,285
Change in assets and liabilities:	
(Increase) decrease in:	
Contributions receivable	(534,153)
Accounts receivable	(122,094)
Prepaid expenses	(16,065)
Increase (decrease) in:	
Accounts payable	38,880
Accrued expenses and withholdings	1,059
Deferred income	(17,522)

Cash Flows From Operating Activities (101,803)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(304,110)
Distributions from investments	179,614
Distributions from beneficial interest in perpetual trusts	38,091

Cash Flows From Investing Activities (86,405)

CASH FLOWS FROM FINANCING ACTIVITIES

Collection of contributions receivable for long-term purposes	1,152,754
Cash contributions restricted for long-term purposes	33,278

Cash Flows From Financing Activities 1,186,032

**INCREASE (DECREASE) IN CASH, CASH
EQUIVALENTS, AND RESTRICTED CASH** 997,824

**CASH, CASH EQUIVALENTS, AND
RESTRICTED CASH - January 1, 2022** 1,799,838

**CASH, CASH EQUIVALENTS, AND
RESTRICTED CASH - December 31, 2022** \$ 2,797,662

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

**ARTS UNITED OF GREATER FORT WAYNE, INC.
AND CULTURAL ADVANCEMENT PROJECTS, LLC
NOTES TO FINANCIAL STATEMENTS**

December 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Arts United of Greater Fort Wayne, Inc. (Organization) mobilizes resources to develop, coordinate, and support arts and culture, enhancing the quality of life and the economic vitality of Northeast Indiana. The Organization was incorporated in June 1955 in Fort Wayne, Indiana.

Cultural Advancement Projects, LLC (CAP, LLC) was created in 2016 to develop and/or promote educational, cultural and arts-related projects and activities in Northeast Indiana.

The Organization controls CAP, LLC and as such, the consolidated financial statements include the accounts of Arts United of Greater Fort Wayne, Inc. and Cultural Advancement Projects, LLC. All significant balances and transactions between funds within the Organization and CAP, LLC have been eliminated in these financial statements.

Taxes

Arts United of Greater Fort Wayne, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Recent Accounting Guidance

During 2022, the Organizations adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as management believes the standard improves the usefulness and understandability of the Organizations' financial reporting. There is no effect on the net assets in connection with the implementation of ASU 2020-07.

Also during 2022, the Organizations adopted ASU 2016-02, *Leases* (Topic 842), as required by U.S. GAAP. This ASU will require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The Organizations adopted this standard on January 1, 2022, and elected not to restate comparative periods in the period of adoption. The Organizations have no leases, thus there was no effect on net assets in connection with the implementation of ASU 2016-02.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

The Organizations elected the package of practical expedients and to not separate lease and non-lease components for all leases. The Organizations have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The Organizations do not have any leases in 2022 that fall under the guidance of ASU 2016-02.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organizations consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Receivables

The Organizations recognize contributions as public support in the year the pledge is made.

Accounts receivable are stated at the amount of consideration from customers, of which the Organizations have an unconditional right to receive.

The Organizations provide an allowance for doubtful accounts, which is based upon review of outstanding receivables, historical collection information, and existing economic conditions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the statement of activities change in net assets.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Property and Equipment

Property and equipment is stated at cost or, if received by donation, at market value on the date received. The cost of fixed assets is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. All items with a cost in excess of \$5,000 and a useful life in excess of one year are capitalized.

Net Asset Classifications

Net assets without donor restrictions are available for use at the discretion of the Organizations' management and the board of directors. From time to time the boards designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organizations report gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted support whose restrictions are met in the same reporting period in which the support is received is reported as net assets without donor restrictions.

Revenue and Revenue Recognition

The Organizations recognize contributions, grants, and government grants as support when cash, other assets or an unconditional promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributed nonfinancial assets are recorded at fair value at the date of donation.

The Organizations receive rent income for the lease of facility space to other nonprofit organizations and the community. Rental income is recognized at the time the facility space is provided.

Box office income is recognized as revenue at the time of purchase.

Event income is recognized as revenue when the event occurs and the related space and services are provided.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Regional Arts Council revenue is recognized as revenue when the services are provided. All services are transferred at a point in time.

Other income is recognized as revenue when received.

Functional Allocation of Expense

The costs of providing the Organizations' programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities 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. Salaries and related expenses are allocated based on estimates of time and effort.

Advertising

Advertising costs are charged to operations when incurred.

Subsequent Events

Management has evaluated subsequent events through March 30, 2023, the date which the financial statements were available for issue.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2022 are as follows:

Contributions receivable	\$ 9,149,614
Less unamortized present value discount (1.45% - 3.29%)	(584,400)
Less allowance	<u>(5,789)</u>
Net contributions receivable	<u>\$ 8,559,425</u>
Amounts due in:	
Less than one year	\$ 2,636,929
One to five years	6,437,685
More than five years	<u>75,000</u>
	<u>\$ 9,149,614</u>

(continued)

2. CONTRIBUTIONS RECEIVABLE (continued)

During 2022 the Organizations received a conditional pledge from Allen County in the amount of \$3,000,000 for the capital campaign contingent on the Organizations receiving \$12,000,000 from other government entities. In addition, a conditional pledge from a foundation was received in 2022 in the amount of \$750,000 contingent on the Organizations raising/obtaining funds from the public sector in the amount of \$15,000,000 for the renovation project. Neither condition was met as of December 31, 2022.

3. INVESTMENTS

Investments as of December 31, 2022 are as follows:

Equities	\$ 4,932,075
Fixed income	2,778,545
Alternative investments	<u>62,521</u>
	7,773,141
Cash and cash equivalents	<u>2,277,827</u>
	<u>\$ 10,050,968</u>
Endowment investments	\$ 8,082,351
Investments restricted to long-term purposes	1,385,655
Investments	<u>582,962</u>
Total investments	<u>\$ 10,050,968</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Land	\$ 1,148,370
Land improvements	763,867
Buildings and improvements	11,712,272
Furniture and equipment	<u>1,753,438</u>
	15,377,947
Accumulated depreciation	<u>10,163,154</u>
	5,214,793
Construction in progress	<u>444,970</u>
	<u>\$ 5,659,763</u>

5. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Arts United of Greater Fort Wayne, Inc. is the beneficiary under three perpetual trusts administered by an outside party. Under the terms of the trusts, 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 \$721,241, which represents the fair market value of the trust assets at December 31, 2022.

6. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial interest. Value based upon the estimated value of the expected future cash flows of the Organization's share of the income earned.

(continued)

6. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2022 are as follows:

	Level 1	Level 3
Investments:		
Equities:		
Mutual funds	\$ 1,266,064	\$ -
Exchange traded funds	1,160,700	-
Information technology	483,665	-
Healthcare	388,523	-
Industrials	274,316	-
Financials	269,119	-
Consumer discretionary	241,784	-
International	225,753	-
Consumer staples	163,711	-
Telecommunication services	118,571	-
Energy	107,537	-
Materials	104,853	-
Utilities	66,773	-
EAFE equity	47,955	-
Real estate	12,751	-
Fixed income:		
Mutual funds	1,202,242	-
U.S. fixed income	1,163,980	-
Exchange traded funds	171,005	-
Non-U.S fixed income	123,191	-
Corporate bonds	93,404	-
U.S. government	24,723	-
Alternative investments:		
Mutual funds	48,087	-
Exchange traded funds	14,434	-
Beneficial interest in perpetual trusts	<u>-</u>	<u>721,241</u>
	<u>\$ 7,773,141</u>	<u>\$ 721,241</u>

(continued)

6. FAIR VALUE MEASUREMENT (continued)

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending December 31, 2022:

Balance – beginning of year	\$ 919,617
Change in value	(160,285)
Disbursements	<u>(38,091)</u>
Balance – end of year	<u>\$ 721,241</u>

7. ENDOWMENT

Arts United of Greater Fort Wayne, Inc. has currently invested its donor-restricted endowment funds in investment accounts with a mixture of equities, fixed income, and alternative investments. The Organization has three donor-restricted endowments – operating, Renaissance, and Auer. The operating endowment has been established to support the continued operations of the Organization for which earnings are not restricted. The Renaissance and Auer endowments were established to provide continued support for capital items, maintenance, and venue expenses. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of Arts United of Greater Fort Wayne, Inc. have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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 retains in perpetuity (a) the original value of gifts donated to the permanent endowment fund, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations to the endowment fund 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 the donor-restricted endowment fund not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(continued)

7. **ENDOWMENT** (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Fund Net Asset Composition by Type of Fund as of December 31, 2022

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor:	
Renaissance	\$ 3,300,000
Operating	486,769
Auer	100,000
Accumulated investment earnings:	
Renaissance	3,831,850
Operating	330,444
Auer	<u>33,288</u>
	<u>\$ 8,082,351</u>

Changes in Endowment Fund Net Assets for the Year Ended December 31, 2022

	With Donor Restrictions
Endowment fund net assets – beginning of year	\$ 9,845,187
Contributions	-
Investment return:	
Investment income	190,316
Net appreciation (depreciation) – realized and unrealized	(1,714,305)
Fees	<u>(59,233)</u>
Total investment return	<u>(1,583,222)</u>

(continued)

7. **ENDOWMENT** (continued)

Appropriation of endowment fund assets for expenditure	\$ <u>(179,614)</u>
Endowment fund net assets – end of year	\$ <u>8,082,351</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment fund 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% annually over time. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy (the spending policy) of appropriating for expenditure each year up to 5% 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% 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.

8. LINE OF CREDIT

The Organizations have a \$1,500,000 revolving line of credit with PNC Bank to draw upon as needed, bearing interest at prime plus 1.60% (9.10% at December 31, 2022). The line of credit is secured by the investment accounts. No amount was outstanding as of December 31, 2022.

9. NET ASSETS

Net assets with donor restrictions are restricted as follows at December 31, 2022:

Time:

Contributions receivable	\$ 1,074,605
Unappropriated endowment earnings – Renaissance	3,831,850
Unappropriated endowment earnings – operating	330,444
Unappropriated endowment earnings – Auer	<u>33,288</u>
Total subject to time requirements	5,270,187

Specific purpose:

A Soaring Vision capital campaign receivables	7,377,355
A Soaring Vision capital campaign cash and investments	2,246,288
Public art program	105,326
2023 Taste of the Arts	16,000
Internship program	<u>10,852</u>
Total subject to purpose requirements	9,755,821

Beneficial interest in perpetual trusts	721,241
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Endowment subject to spending policy and appropriations:

Investment in perpetuity – Renaissance	3,300,000
Investment in perpetuity – operating	486,769
Investment in perpetuity – Auer	<u>100,000</u>
Total endowment	<u>3,886,769</u>

Total net assets with donor restrictions	<u>\$ 19,634,018</u>
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Net assets without donor restrictions included \$582,962 of funds designated for A Soaring Vision capital campaign and \$7,653,680 of undesignated funds at December 31, 2022.

(continued)

9. NET ASSETS (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets released from net assets with donor restrictions are as follows:

A Soaring Vision expenditures	\$ 654,555
Time	263,270
Endowment distributions	179,614
Beneficial interest in perpetual trusts distributions	38,091
Internship program	<u>1,760</u>
Net assets released from restrictions	<u>\$ 1,137,290</u>

10. CONTRIBUTED NONFINANCIAL ASSETS

The Organizations recognized the following contributions of nonfinancial assets for the year ended December 31, 2022.

Community Development:	
Advertising	\$ 2,500

Donated advertising, which was for the Taste of the Arts event, is valued at the fair value provided by the vendor. None of the contributed nonfinancial assets have donor-imposed restrictions.

11. RENTAL INCOME

Arts United of Greater Fort Wayne, Inc. leases facility space to resident nonprofit organizations. These leases are accounted for as operating leases and expire in various years through 2024. The Organization recognized rental income of \$202,621 from these leases in 2022.

(continued)

11. RENTAL INCOME (continued)

Minimum future rental income to be received on noncancelable operating leases as of December 31, 2022 for each of the next five years and in the aggregate are:

2023	\$ 82,766
2024	8,255
2025	-
2026	-
2027 and thereafter	<u>-</u>
Total	<u>\$ 91,021</u>

The Organization also leases additional program space to resident nonprofit organizations and space to the community on an as-needed basis and parking spots on a month-to-month basis. Rental income under these leases was \$239,212 in 2022.

As part of the rental of space to resident nonprofits and the community, the Organization provides technical production services and concession services. The total revenue received for these services was \$130,368 in 2022.

12. EMPLOYEE BENEFITS

Arts United of Greater Fort Wayne, Inc. 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% of employee contributions, up to 3% to 4% of eligible employee compensation, based on length of service. The Organization's contribution to the plan was \$20,986 for 2022.

13. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$205,292 for 2022.

14. CREDIT RISK AND CONCENTRATIONS

The Organizations have significant investments in stocks, bonds and mutual funds and, therefore, are subject to concentration of credit risk. Investments are made by investment managers engaged by the Organizations. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organizations and its beneficiaries.

The Organizations maintain their cash at a national bank. These cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2022, deposits in excess of the insured amount totaled \$1,496,168.

15. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Cash and cash equivalents	\$ 1,937,029
Cash restricted to long-term purposes	<u>860,633</u>
Cash and cash equivalents on the statement of cash flows	<u>\$ 2,797,662</u>

Cash restricted to long-term purposes represents cash received for A Soaring Vision capital campaign not yet spent.

16. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022, comprise the following:

Cash and cash equivalents	\$ 1,937,029
Contributions receivable – net	8,559,425
Accounts receivable	168,153
Funds held for others	9,834
Endowment investments	8,082,351
Cash restricted to long-term purposes	860,633
Investments restricted to long-term purposes	1,385,655
Investments	582,962
Beneficial interest in perpetual trusts	<u>721,241</u>
Total financial assets	22,307,283

(continued)

16. AVAILABILITY AND LIQUIDITY (continued)

Less:

Contributions receivable for A Soaring Vision capital campaign	\$ (7,377,355)
Contributions receivable due in more than 1 year	(743,178)
Funds held for others	(9,834)
Endowment investments	(8,082,351)
Cash restricted to long-term purposes	(860,633)
Investments restricted to long-term purposes	(1,385,655)
Beneficial interest in perpetual trusts	(721,241)
Board designated for A Soaring Vision capital campaign	(582,962)
Net assets with specific donor restrictions:	
Public art program	(105,326)
2023 Taste of the Arts	(16,000)
Internship program	<u>(10,852)</u>
	<u>(19,895,387)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,411,896</u>

In addition to financial assets available to meet general expenditures over the next year, the Organizations have available a \$1,500,000 line of credit.

17. RISKS AND UNCERTAINTIES

On March 11, 2020, the COVID-19 virus had been declared a global pandemic. The extent of the impact of the COVID-19 outbreak on the financial performance of the Organizations will depend on future developments, including the duration and severity of the outbreak and its impact on the overall economy. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

18. RECLASSIFICATION

Net assets of \$110,497 at January 1, 2022 were reclassified from net assets without donor restrictions to net assets with donor restrictions to correct an error in recording restrictions in 2021. The reclassification had no effect on the change in net assets for the year ended December 31, 2021.

**ARTS UNITED OF GREATER FORT WAYNE, INC.
AND CULTURAL ADVANCEMENT PROJECTS, LLC
SCHEDULE OF GOVERNMENT FUNDS RECEIVED
Year Ended December 31, 2022**

Federal or State Grantor/ Pass-Through Grantor/Program Title	Assistance Listing Number	Revenue Recognized
U.S. Small Business Administration: Employee Retention Credit	N/A	\$ 118,751
National Endowment for the Arts: Promotion of the Arts Grants to Organizations and Individuals	45.024	10,000
Passed through Indiana Arts Commission: Regional Arts Partner - federal	45.025	15,900
Arts Organization Support - federal	45.025	4,300
Indiana Arts Commission: Regional Arts Partner - nonfederal	N/A	5,300
Arts Organization Support - nonfederal	N/A	12,901
Other programs	N/A	14,200
Board of Commissioners of the County of Allen, State of Indiana Arts and culture development services	N/A	1,250,000
City of Fort Wayne: County Economic Development Income Tax	N/A	<u>95,000</u>
Total Government Funds Received		<u><u>\$ 1,526,352</u></u>

See independent auditors' report.

