Culture Works

Financial Statements

June 30, 2018 and 2017

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Culture Works

Report on the Financial Statements

We have audited the accompanying financial statements of Culture Works (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Culture Works as of June 30, 2018 and 2017, 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.

Restatement of Prior Period Financial Statements

As discussed in Note 13, the July 1, 2016 net assets were restated to recognize accumulated earnings in a donor-restricted endowment fund, which represents amounts available to be granted to the Dayton Performing Arts Alliance, as temporarily restricted net assets as opposed to its previous classification of endowment payable.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program and management, general and fundraising expenses on pages 16-17 are presented for purposes of additional analysis and are 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
October 30, 2018

Culture Works
Statements of Financial Position
June 30, 2018 and 2017

		2018	2017
Assets			
Current assets:			
Cash and cash equivalents	$	157,067	98,524
Promises to give, net		264,569	261,892
Prepaid expenses		6,000	-
		427,636	360,416
Office furniture and equipment, net		-	455
Other assets:			
Investments		354,973	336,366
Beneficial interests in endowment funds held by The Dayton Foundation		2,207,730	2,114,136
		2,562,703	2,450,502
	$	2,990,339	2,811,373
Current liabilities:			
Accounts payable	$	4,348	8,442
Grants payable		371,672	370,566
Accrued expenses		11,255	8,213
		387,275	387,221
Net assets:			
Unrestricted		2,198,682	2,031,552
Temporarily restricted		154,382	142,600
Permanently restricted		250,000	250,000
		2,603,064	2,424,152
	$	2,990,339	2,811,373

See accompanying notes to the financial statements.

Culture Works
Statement of Activities
Year Ended June 30, 2018

Revenues and other support		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions:					
Campaign for the Arts	$	553,871	5,515	-	559,386
Arts awareness and advocacy		36,174	3,346	-	39,520
Operating support		125,408	-	-	125,408
Special events		29,991	-	-	29,991
Donated materials and services		41,649	-	-	41,649
Distributions from trusts		65,395	-	-	65,395
Release of net assets from restriction		24,313	(24,313)	-	-
		876,801	(15,452)	-	861,349
Grants and expenses:					
Grants:					
Campaign for the Arts		371,672	-	-	371,672
Other		36,316	-	-	36,316
Endowment distribution to the Dayton Contemporary Dance Company		2,103	-	-	2,103
Endowment distribution to Dayton Performing Arts Alliance		14,546	-	-	14,546
Scholarships		20,000	-	-	20,000
		444,637	-	-	444,637
Program expenses:					
Campaign for the Arts		179,137	-	-	179,137
Arts awareness and advocacy		121,411	-	-	121,411
		300,548	-	-	300,548
Management, general and fundraising		133,102	-	-	133,102
		433,650	-	-	433,650
Other income:					
Other		1,905	-	-	1,905
Change in value of endowment funds held by The Dayton Foundation		145,142	27,234	-	172,376
Investment income		6,239	-	-	6,239
Net realized and unrealized gain on investments		15,330	-	-	15,330
		168,616	27,234	-	195,850
Change in net assets		167,130	11,782	-	178,912
Net assets:					
Beginning of year		2,031,552	142,600	250,000	2,424,152
End of year	$	2,198,682	154,382	250,000	2,603,064

See accompanying notes to the financial statements.

Culture Works
Statement of Activities
Year Ended June 30, 2017

Revenues and other support	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions:				
Campaign for the Arts	$ 479,141	1,992	-	481,133
Arts awareness and advocacy	14,824	7,775	-	22,599
Operating support	120,382	-	-	120,382
Special events	25,786	-	-	25,786
Donated materials and services	34,169	-	-	34,169
Distributions from trusts	82,907	-	-	82,907
Release of net assets from restriction	20,070	(20,070)	-	-
	777,279	(10,303)	-	766,976
Grants and expenses:				
Grants:				
Campaign for the Arts	370,566	-	-	370,566
Power2Give	1,300	-	-	1,300
Other	11,022	-	-	11,022
Endowment distribution to the Dayton Contemporary Dance Company	2,108	-	-	2,108
Endowment distribution to the Dayton Performing Arts Alliance	14,583	-	-	14,583
Scholarships	13,500	-	-	13,500
Other payments to organizations and artists	135	-	-	135
	413,214	-	-	413,214
Program expenses:				
Campaign for the Arts	130,621	-	-	130,621
Power2Give	1,384	-	-	1,384
Arts awareness and advocacy	126,486	-	-	126,486
Culture Connects 20/20	7,537	-	-	7,537
	266,028	-	-	266,028
Management, general and fundraising	197,129	-	-	197,129
	463,157	-	-	463,157
Other income:				
Change in value of endowment funds held by The Dayton Foundation	184,779	45,923	-	230,702
Investment income	7,459	-	-	7,459
Net realized and unrealized gain on investments	24,932	-	-	24,932
	217,170	45,923	-	263,093
Change in net assets	118,078	35,620	-	153,698
Net assets				
Beginning of year, restated	1,913,474	106,980	250,000	2,270,454
End of year	$ 2,031,552	142,600	250,000	2,424,152

See accompanying notes to the financial statements.

	2018	2017
Cash flows from operating activities:		
Changes in net assets	$ 178,912	153,698
Adjustments to reconcile change in to net cash used by operating activities:		
Depreciation	455	15,247
Change in value of beneficial interest in endowment fund	(172,376)	(230,702)
Net realized and unrealized gain on investments	(15,330)	(24,932)
Effects of changes in assets and liabilities:		
Promises to give, net	(2,677)	15,042
Prepaid expenses	(6,000)	10,291
Accounts payable and accrued expenses	(1,052)	(1,886)
Grants payable	1,106	(8,442)
Net cash used by operating activities	(16,962)	(71,684)
Cash flows from investing activities:		
Net purchases of investments	(3,277)	(9,989)
Withdrawals from endowment funds held by The Dayton Foundation	78,782	72,297
Net cash provided by investing activities	75,505	62,308
Increase (decrease) in cash and cash equivalents	58,543	(9,376)
Cash and cash equivalents, beginning of year	98,524	107,900
Cash and cash equivalents, end of year	$ 157,067	98,524

See accompanying notes to the financial statements.

1. NATURE OF OPERATIONS:

Culture Works (the "Organization") is a regional arts agency that provides a unified voice for arts and culture and promotes the cultural vibrancy of the Dayton Region nationally as a tool for economic development. The Organization galvanizes widespread support for arts and culture by providing grants, unified marketing efforts, and cultural planning to help the entire cultural community to thrive. The Organization's mission is to act as the funding, advocacy, and service organization that passionately inspires, supports, and sustains arts and culture in the Dayton Region.

The Organization operates in the greater Dayton, Ohio area. A majority of its revenue and support is derived from donors within this geographical area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements:

Basis of presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that likely will be met by specific expenditures being made and/or the passage of time. Permanently restricted net assets are subject to donor-imposed restrictions that the principal of the gifts remain in perpetuity with the resulting investment income utilized for general, or in some cases, specific purposes.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as release of net assets from restriction.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated materials and services

Significant services and materials are donated to the Organization by various individuals and companies for the benefit of the Organization and its constituents. Donated materials are recorded at fair value at the date of donation. Donated services are recognized as contributions in accordance with accounting standards, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Cash and cash equivalents

Interest-bearing deposits and short-term investments with original maturities of three months or less are classified as cash equivalents. Periodically during the year, the Organization has cash deposits in excess of federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with its cash on deposit with financial institutions.

Promises to give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Allowances are provided for amounts estimated to be uncollectible, based on historical experience of the relationship between actual bad debts and amounts pledged. Allowances for uncollectible pledges of $18,000 were recorded at June 30, 2018 and 2017. All promises to give are expected to be collected within one year.

Investments

The Organization's investments and beneficial interest in endowment funds are stated at fair value. Fair value is 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. See Note 5 for discussion of fair value measurements.

Investment return includes dividends, interest and other investment income and realized and unrealized gains and losses on investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Office furniture and equipment

Office furniture and equipment are recorded at actual cost or the fair value of donated assets and are depreciated over useful lives of 5 - 10 years using the straight-line method. The Organization capitalizes office furniture and equipment when the cost is $1,000 or more and its estimated useful life exceeds one year.

Income taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Accordingly, no provision for income taxes is presented in these financial statements.

Advertising expense

The Organization incurs advertising costs in connection with its annual campaign and other arts advocacy programs. These costs are expensed as incurred and amounted to $38,958 and $27,687 for the years ended June 30, 2018 and 2017, respectively. These expenses include $30,600 and $21,100 of in-kind support for the year ended June 30, 2018 and 2017.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the current year presentation.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through the report date, the date on which the financial statements were available to be issued.

3. BENEFICIAL INTEREST IN ENDOWMENT FUNDS:

The Organization's Board of Directors established four board-designated endowment funds by transferring assets to the Dayton Foundation, a community foundation. The Organization is the named beneficiary of the endowment funds. The beneficial interest in endowment funds totaling $1,812,209 and $1,731,303 at June 30, 2018 and 2017, respectively, represents amounts contributed by the Organization, plus any net subsequent earnings retained in these funds. Net investment earnings of these endowment funds are included in the statements of activities as change in value of endowment funds.

The Organization also previously created a fifth endowment fund at the Dayton Foundation utilizing donor-restricted funds in which the donor stipulated that the original contribution of $250,000 be held in perpetuity as a separate fund of the Organization's endowment for the benefit of the Dayton Performing Arts Alliance, the successor of the Dayton Ballet Association. The fund is to be administered by the Organization, with all investment income awarded to the Dayton Performing Arts Alliance following guidelines established by the donor. The portion of the endowment fund representing the original gift is classified as permanently restricted net assets and the undistributed net investment earnings of the endowment fund are classified as temporarily restricted net assets. This fund totaled $395,521 and $382,833 at June 30, 2018 and 2017, respectively

The following is a summary of the net asset classifications of the beneficial interests in endowment funds at June 30, 2018 and 2017:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018					
Board-designated	$	1,812,209	-	-	1,812,209
Donor-restricted		-	145,521	250,000	395,521
	$	1,812,209	145,521	250,000	2,207,730
June 30, 2017					
Board-designated	$	1,731,303	-	-	1,731,303
Donor-restricted		-	132,833	250,000	382,833
	$	1,731,303	132,833	250,000	2,114,136

The Organization has adopted the investment and spending policies of The Dayton Foundation.

4. COMMUNITY FOUNDATION FUNDS:

The Organization is the beneficial recipient of funds held at The Dayton Foundation. The Dayton Foundation has variance power over these funds by agreement with the donors. The Dayton Foundation distributes income annually to the Organization as a beneficiary of the funds. In accordance with generally accepted accounting principles, the Organization is prohibited from recording their beneficial interest in the principal amounts because the funds are held by the Dayton Foundation and subject to the variance powers embedded in their bylaws. The Organization received distributions from these funds in the amount of $65,395 and $82,907 for the years ended June 30, 2018 and 2017, respectively.

5. FAIR VALUE MEASUREMENTS:

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described as follows:

> Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
>
> Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Cash equivalents: The carrying value approximates fair value.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income and equity mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Beneficial interest in endowment funds held by The Dayton Foundation: The Organization maintains units of participation in pooled investment fund accounts held at a local community foundation. The investment pool maintains an asset allocation that distributes the pool's investments into a variety of classes including equity securities, fixed income securities, and mutual funds. The fair value as reported by The Dayton Foundation is based on the fair value of the individual securities within the pooled account as determined by the custodian using quoted market prices and other techniques, without adjustment by management.

Assets measured at fair value on a recurring basis as of June 30, 2018 are summarized below:

	Total	Level 1	Level 2	Level 3
Investments:				
Cash and equivalents	$ 7,212	7,212	-	-
Equity mutual funds:				
Small cap	7,011	7,011	-	-
Mid cap	14,219	14,219	-	-
Large cap	134,717	134,717	-	-
Foreign & emerging markets	64,386	64,386	-	-
Fixed income mutual funds:				
Intermediate term bond	53,266	53,266	-	-
Inflation-protected	21,220	21,220	-	-
High yield	17,612	17,612	-	-
Emerging markets	6,940	6,940	-	-
Long term	10,637	10,637	-	-
Short term	17,753	17,753	-	-
	354,973	354,973	-	-
Beneficial interest in endowment funds held by The Dayton Foundation	2,207,730	-	-	2,207,730
	$ 2,562,703	354,973	-	2,207,730

Assets measured at fair value on a recurring basis as of June 30, 2017 are summarized below:

	Total	Level 1	Level 2	Level 3
Investments:				
Cash and equivalents	$ 8,383	8,383	-	-
Equity mutual funds:				
Small cap	13,181	13,181	-	-
Mid cap	24,875	24,875	-	-
Large cap	117,052	117,052	-	-
Foreign & emerging markets	44,778	44,778	-	-
Real estate	6,242	6,242		
Fixed income mutual funds				
Intermediate term bond	48,513	48,513	-	-
Inflation-protected	19,056	19,056	-	-
High yield	18,915	18,915	-	-
Emerging markets	6,175	6,175	-	-
Long term	13,226	13,226	-	-
Short term	15,970	15,970	-	-
	336,366	336,366	-	-
Beneficial interest in endowment funds held by The Dayton Foundation	2,114,136	-	-	2,114,136
	$ 2,450,502	336,366	-	2,114,136

The following is a reconciliation of the investment, which are valued at Level 3 inputs for the years ended June 30:

	2018	2017
Balance, beginning of year	$ 2,114,136	1,955,731
Change in fair value	172,376	230,702
Grants paid to other organizations	(36,649)	(30,191)
Grants paid to Culture Works	(42,133)	(42,106)
Balance, end of year	$ 2,207,730	2,114,136

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

6. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following as of June 30:

	2018	2017
Office furniture and equipment	$ 95,887	95,887
Less accumulated depreciation	95,887	95,432
	$ -	455

7. RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following as of June 30:

	2018	2017
Campaign for the Arts	$ 5,515	394
Marketing campaign project	-	7,775
Free public concerts	3,346	1,598
Future support to the Dayton Ballet	145,521	132,833
	$ 154,382	142,600

Permanently restricted net assets included endowment assets of $250,000 at June 30, 2018 and 2017.

8. GRANTS, CAMPAIGN FOR THE ARTS:

Grants to organizations for the years ended and payable as of June 30, are summarized as follows:

		2018	2017
Bach Society of Dayton	$	4,032	3,738
Dayton Contemporary Dance Company		38,080	44,352
Dayton Performing Arts Alliance		105,280	105,840
Dayton Visual Arts Center		4,872	3,528
K12 Gallery for Young People		19,264	3,654
Kettering Children's Choir		4,144	3,570
Springfield Symphony Orchestra		15,680	-
The Dayton Art Institute		79,744	89,712
The Human Race Theater Company		39,872	44,856
The Muse Machine		40,768	47,880
WDPR Classic Radio		19,936	23,436
	$	371,672	370,566

Grants payable at June 30, 2018 are expected to be paid to grantees during the subsequent fiscal year.

9. RELATED PARTY:

One member of the Organization’s Board of Directors is an officer of one of the Organization’s grant recipients. During the year ended June 30, 2018, the Organization made a grant to this recipient in the amount of $79,744 to be paid to the grant recipient during the year ended June 30, 2019. During the year ended June 30, 2017, the Organization made a grant in the amount of $89,712 to this grant recipient, which was paid during the year ended June 30, 2017. The Organization awards grants using an outcomes-based grantmaking formula. Grants were awarded by the Board of Trustees without the participation of the related member.

10. RETIREMENT PLAN:

The Organization sponsors a 403(b) Plan. All employees are eligible to voluntary contribute as of the date of employment. Employees are eligible for an employer match after one full consecutive year of employment with the Organization at a rate of 50% of the employee contribution up to 6% of gross pay per pay period. After three years of service, the employee is eligible for a match of 50% of the employee contribution up to 10% of gross pay per pay period. Expenses relating to this plan amounted to $4,597 and $6,549 for the years ended June 30, 2018 and 2017, respectively.

11. LEASES:

The Organization has an operating lease for office space, with a monthly rate of $1,786, which expired in August 2017. After such time, the lease is month-to-month under the same terms. The net rent expense for office space totaled $21,105 for the years ended June 30, 2018 and 2017, respectively. The Organization also leases various office equipment under operating lease agreements expiring through June 2018. Net rent expense for office equipment totaled $2,674 and $7,365 for the years ended June 30, 2018 and 2017, respectively.

12. DONATED MATERIALS AND SERVICES:
The Organization receives various in-kind donations from its donors. The following schedule details the in-kind donations received for the years ended June 30:

		2018	2017
Advertising	$	30,600	21,100
Parking		2,113	4,320
Auction items		4,320	4,964
Professional fees		4,616	3,325
Other		-	460
	$	41,649	34,169

13. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:
During the year ended June 30, 2018, it was determined that the accumulated earnings in the donor-restricted endowment fund, which represents amounts available to be granted to the Dayton Performing Arts Alliance, should be classified as temporarily restricted net assets as opposed to its previous classification of endowment payable. A summary impacting net assets, as of July 1, 2016, is presented below:

		Endowment Payable	Temporarily Restricted Net Assets	Total Net Assets
As previously reported	$	101,493	5,487	2,168,961
Correction of classification		(101,493)	101,493	101,493
As restated	$	-	106,980	2,270,454

14. RECENT PRONOUNCEMENTS:
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Organization's year ending June 30, 2019.

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Organization's year ending June 30, 2020.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Agency's year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the patter of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending June 30, 2021.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

SUPPLEMENTARY INFORMATION

Culture Works
Schedule of Program and Management,
General and Fundraising Expenses
Year Ended June 30, 2018

	Program Services		Supporting Services	
	Campaign for the Arts and grantmaking	Arts Awareness and Advocacy	Management, General and Fundraising	Total
Payroll	$ 75,799	45,518	74,126	195,443
Payroll taxes and workers' compensation	5,644	3,462	4,670	13,776
Employee benefits	2,297	766	1,534	4,597
Organizational development	3,788	1,376	844	6,008
Travel	1,299	2,089	562	3,950
Supplies	512	95	1,631	2,238
Technology expenses	11,287	3,140	7,545	21,972
Professional services	19,222	21,538	23,418	64,178
Bank charges	4,471	-	1,491	5,962
Rent	7,035	7,035	7,035	21,105
Postage	1,760	2,421	1,085	5,266
Printing	4,978	6,984	294	12,256
Telephone	1,075	1,075	1,563	3,713
Insurance	2,344	2,344	1,652	6,340
Advertising	4,849	3,179	330	8,358
Dues and subscriptions	175	300	930	1,405
Depreciation	-	-	456	456
Miscellaneous	7,112	2,148	3,044	12,304
Donated materials and services	24,599	17,050	-	41,649
Equipment leases	891	891	892	2,674
	$ 179,137	121,411	133,102	433,650

	Program Services				Supporting Services	
	Campaign for the Arts and grantmaking	Power 2Give	Arts Awareness and Advocacy	Culture Connects 20/20	Management, General and Fundraising	Total
Payroll	$ 51,770	603	53,586	-	74,325	180,284
Payroll taxes and workers' compensation	4,657	35	3,925	-	6,045	14,662
Employee benefits	1,891	-	152	-	4,628	6,671
Organizational development	2,341	-	3,272	-	1,095	6,708
Travel	2,500	-	764	-	627	3,891
Supplies	898	-	523	-	1,053	2,474
Technology expenses	9,882	167	8,260	65	11,803	30,177
Professional services	17,376	339	14,028	1,513	36,898	70,154
Bank charges	3,943	214	-	-	1,781	5,938
Rent	6,595	1	6,595	1,319	6,595	21,105
Postage	3,291	25	2,603	-	670	6,589
Printing	5,581	-	5,899	-	545	12,025
Telephone	1,316	-	1,840	-	1,382	4,538
Insurance	2,483	-	2,483	853	7,629	13,448
Marketing	3,837	-	291	-	-	4,128
Advertising	-	-	3,244	2,844	499	6,587
Dues and subscriptions	694	-	686	245	1,577	3,202
Depreciation	-	-	-	-	15,247	15,247
Miscellaneous	9,182	-	22	-	4,591	13,795
Donated materials and services	163	-	16,100	-	17,906	34,169
Equipment leases	2,221	-	2,213	698	2,233	7,365
	$ 130,621	1,384	126,486	7,537	197,129	463,157