

**CULTURE WORKS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**CULTURE WORKS**

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**YEARS ENDED JUNE 30, 2019 AND 2018**

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**BRADY WARE**  
& SCHOENFELD

## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
**Culture Works**  
Dayton, Ohio

We have audited the accompanying financial statements of **Culture Works** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

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## INDEPENDENT AUDITORS' REPORT - CONTINUED

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### *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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Effect of Adopting New Accounting Standards*

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

### *Prior Period Financial Statements*

The financial statements of **Culture Works** as of June 30, 2018, were audited by other auditors whose report dated October 30, 2018, expressed an unmodified opinion on those statements.



Dayton, Ohio  
October 16, 2019

**CULTURE WORKS****STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2019 AND 2018**

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 108,783	\$ 157,067
Promises to give - net	270,068	264,569
Prepaid expenses	<u>-</u>	<u>6,000</u>
	<u>378,851</u>	<u>427,636</u>
<b>OTHER ASSETS</b>		
Investments	385,488	354,973
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,208,997</u>	<u>2,207,730</u>
	<u>2,594,485</u>	<u>2,562,703</u>
	<u>\$ 2,973,336</u>	<u>\$ 2,990,339</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,970	\$ 4,348
Grants payable	373,966	371,672
Accrued expenses	<u>10,722</u>	<u>11,255</u>
	<u>393,658</u>	<u>387,275</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	2,167,700	2,198,682
Net assets with donor restrictions	<u>411,978</u>	<u>404,382</u>
	<u>2,579,678</u>	<u>2,603,064</u>
	<u>\$ 2,973,336</u>	<u>\$ 2,990,339</u>

**CULTURE WORKS****STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions, Campaign for the Arts	\$ 548,936	\$ 16,187	\$ 565,123
Contributions, Arts awareness and advocacy	43,105	-	43,105
Contributions, Operating support	88,216	-	88,216
Donated materials and services	42,410	-	42,410
Distributed from trusts	56,751	-	56,751
Special events	29,787	-	29,787
Investment return designated for current use	42,819	-	42,819
Release of net assets from restrictions	<u>23,604</u>	<u>(23,604)</u>	<u>-</u>
Total revenue and other support	<u>875,628</u>	<u>(7,417)</u>	<u>868,211</u>
<b>GRANTS AND EXPENSES</b>			
Grants, Campaign for the Arts	373,966	-	373,966
Other	31,729	-	31,729
Endowment distribution to the Dayton Contemporary Dance Company	2,132	-	2,132
Endowment distribution to the Dayton Performing Arts Alliance	14,742	-	14,742
Scholarships	<u>19,500</u>	<u>-</u>	<u>19,500</u>
Total Grants	<u>442,069</u>	<u>-</u>	<u>442,069</u>
Program expenses			
Campaign for the Arts	205,224	-	205,224
Arts awareness and advocacy	<u>156,099</u>	<u>-</u>	<u>156,099</u>
Total Program expenses	<u>361,323</u>	<u>-</u>	<u>361,323</u>
Management, general, and fundraising	<u>150,420</u>	<u>-</u>	<u>150,420</u>
Total Expenses	<u>511,743</u>	<u>-</u>	<u>511,743</u>
Total Grants and Expenses	<u>953,812</u>	<u>-</u>	<u>953,812</u>
Total Operating Loss	<u>(78,184)</u>	<u>(7,417)</u>	<u>(85,601)</u>
<b>NON-OPERATING INCOME</b>			
Change in value of endowment funds held at The Dayton Foundation	65,447	15,013	80,460
Investment return	24,574	-	24,574
Investment return designated for current use	<u>(42,819)</u>	<u>-</u>	<u>(42,819)</u>
Total Non-Operating Income	<u>47,202</u>	<u>15,013</u>	<u>62,215</u>
<b>CHANGE IN NET ASSETS</b>	<b>(30,982)</b>	<b>7,596</b>	<b>(23,386)</b>
<b>NET ASSETS</b>			
Beginning of year	<u>2,198,682</u>	<u>404,382</u>	<u>2,603,064</u>
End of year	<u>\$ 2,167,700</u>	<u>\$ 411,978</u>	<u>\$ 2,579,678</u>

See notes to financial statements.

**CULTURE WORKS****STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions, Campaign for the Arts	\$ 553,871	\$ 5,515	\$ 559,386
Contributions, Arts awareness and advocacy	36,174	3,346	39,520
Contributions, Operating support	125,408	-	125,408
Donated materials and services	41,649	-	41,649
Distributed from trusts	65,395	-	65,395
Special events	29,991	-	29,991
Investment return designated for current use	42,133	-	42,133
Release of net assets from restrictions	24,313	(24,313)	-
	<u>918,934</u>	<u>(15,452)</u>	<u>903,482</u>
Total revenue and other support			
<b>GRANTS AND EXPENSES</b>			
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 the Dayton Performing Arts Alliance	14,546	-	14,546
Scholarships	20,000	-	20,000
	<u>444,637</u>	<u>-</u>	<u>444,637</u>
Total Grants			
Program expenses			
Campaign for the Arts	179,137	-	179,137
Arts awareness and advocacy	121,411	-	121,411
	<u>300,548</u>	<u>-</u>	<u>300,548</u>
Total Program expenses			
Management, general, and fundraising	133,102	-	133,102
	<u>433,650</u>	<u>-</u>	<u>433,650</u>
Total Expenses			
Total Grants and Expenses	<u>878,287</u>	<u>-</u>	<u>878,287</u>
Total Operating Loss	<u>40,647</u>	<u>(15,452)</u>	<u>25,195</u>
<b>NON-OPERATING INCOME</b>			
Change in value of endowment funds held at The Dayton Foundation	145,142	27,234	172,376
Investment return	21,569	-	21,569
Investment return designated for current use	(42,133)	-	(42,133)
Other	1,905	-	1,905
	<u>126,483</u>	<u>27,234</u>	<u>153,717</u>
Total Non-Operating Income			
<b>CHANGE IN NET ASSETS</b>	<b>167,130</b>	<b>11,782</b>	<b>178,912</b>
<b>NET ASSETS</b>			
Beginning of year	<u>2,031,552</u>	<u>392,600</u>	<u>2,424,152</u>
End of year	<u>\$ 2,198,682</u>	<u>\$ 404,382</u>	<u>\$ 2,603,064</u>

See notes to financial statements.

**CULTURE WORKS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018**

	<u>Program</u>		<u>Supporting</u>	<u>2019</u>	<u>2018</u>
	<u>Campaign for the Arts and Grantmaking</u>	<u>Arts Awareness and Advocacy</u>	<u>Management, General and Fundraising</u>		
Payroll	\$ 93,054	\$ 51,987	\$ 84,017	<b>\$ 229,058</b>	\$ 195,443
Payroll taxes and workers' compensation	7,121	3,978	6,660	<b>17,759</b>	13,776
Employee benefits	1,627	1,627	1,677	<b>4,931</b>	4,597
Organizational development	3,287	8,265	437	<b>11,989</b>	6,008
Travel	1,215	3,308	1,926	<b>6,449</b>	3,950
Supplies	300	144	1,103	<b>1,547</b>	2,238
Technology expenses	7,225	6,655	9,187	<b>23,067</b>	21,972
Professional services	13,680	23,002	12,235	<b>48,917</b>	64,178
Bank charges	-	-	7,236	<b>7,236</b>	5,962
Rent	7,035	7,035	7,035	<b>21,105</b>	21,105
Postage	2,708	320	711	<b>3,739</b>	5,266
Printing	4,952	7,681	1,164	<b>13,797</b>	12,256
Telephone	1,280	1,279	1,373	<b>3,932</b>	3,713
Insurance	183	183	5,711	<b>6,077</b>	6,340
Advertising	6,989	3,866	197	<b>11,052</b>	8,358
Dues and subscriptions	591	414	1,071	<b>2,076</b>	1,405
Depreciation	-	-	-	-	456
Equipment lease	909	685	1,263	<b>2,857</b>	2,674
Special project	17,600	-	4,000	<b>21,600</b>	-
Donated materials and service	35,325	5,320	1,765	<b>42,410</b>	41,649
Miscellaneous	<u>143</u>	<u>30,350</u>	<u>1,652</u>	<b><u>32,145</u></b>	<u>12,304</u>
	<b><u>\$ 205,224</u></b>	<b><u>\$ 156,099</u></b>	<b><u>\$ 150,420</u></b>	<b><u>\$ 511,743</u></b>	<b><u>\$ 433,650</u></b>



**CULTURE WORKS****STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2018**

	<u>Program</u>		<u>Supporting</u>	
	<u>Campaign for the Arts and Grantmaking</u>	<u>Arts Awareness and Advocacy</u>	<u>Management, General and Fundraising</u>	<u>Total</u>
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
Equipment lease	891	891	892	2,674
Donated materials and service	24,599	17,050	-	41,649
Miscellaneous	7,112	2,148	3,044	12,304
	<u>\$ 179,137</u>	<u>\$ 121,411</u>	<u>\$ 133,102</u>	<u>\$ 433,650</u>

**CULTURE WORKS****STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (23,386)	\$ 178,912
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	-	455
Net realized and unrealized gain on investments	(24,574)	(15,330)
Change in value of beneficial interest in endowment fund	(80,460)	(172,376)
	<u>(128,420)</u>	<u>(8,339)</u>
Changes in operating assets and liabilities:		
Promises to give	(5,499)	(2,677)
Prepaid expenses	6,000	(6,000)
Accounts payable	4,623	(4,094)
Grants payable	2,294	1,106
Accrued expenses	(533)	3,042
	<u>(121,535)</u>	<u>(16,962)</u>
Net Cash Used by Operating Activities		
	<u>(121,535)</u>	<u>(16,962)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	(5,942)	-
Net purchases of investments	-	(3,277)
Withdrawals from endowment funds held at The Dayton Foundation	79,193	78,782
	<u>73,251</u>	<u>75,505</u>
Net Cash Provided by Investing Activities		
	<u>73,251</u>	<u>75,505</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(48,284)</b>	<b>58,543</b>
<b>CASH</b>		
Beginning of year	<u>157,067</u>	<u>98,524</u>
End of year	<u>\$ 108,783</u>	<u>\$ 157,067</u>

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of accounting policies of **Culture Works** (the "Organization") is presented to assist in understanding the Organization's financial statements.

**Nature of Business** - 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.

**Basis of Presentation** - The financial statement presentation follows the recommendations of generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

**Net Assets With Donor Restrictions** - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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. At June 30, 2019 and 2018, the Organization had \$411,978 and \$404,382 in net assets with donor restrictions.

**Financial Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated to the programs and supporting services benefited. Costs are charged to supportive services where they benefit a majority of the programs for the Organization. Management and Organization expenses that cannot be allocated directly or indirectly to programs are included in supportive services. Depreciable assets are allocated to the program utilizing the asset. Salaries and benefits are allocated to the program associated with the individuals' purpose.

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Contributions** - Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

**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 market 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.

**Concentration of Credit Risk** - Financial instruments that potentially subject the Organization to credit risks consist principally of cash on deposit with one financial institution, which periodically exceeded FDIC insurance limits during the years ended June 30, 2019 and 2018.

**Promises to Give** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in one or more years are discounted to present value. Conditional promises to give are recorded only when the conditions on which they depend are substantially met and the promises become unconditional.

**Investments** - Investments in equity securities with readily determinable fair values and all investments in fixed income securities shall be measured at fair market values in the statements of financial position.

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 restricted by explicit donor stipulations or by law.

**Property and Equipment** - Office furniture and equipment are recorded at actual cost or the fair market 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.

Routine maintenance, repairs, and renewals are charged to expense as incurred. Renewals and betterments, which substantially increase the life of the office equipment, are capitalized. At retirement or sale, the costs of the assets, less related accumulated depreciation, are removed from the accounts and resulting gains and losses are included in income. Depreciation for 2018 was \$456. All assets were fully depreciated in 2018.

The Organization reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at June 30, 2019 and 2018.

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Endowment Investment and Spending Policies** - The Organization has adopted investment and spending policies for endowment assets that attempt to preserve the real purchasing power of the assets, and provide a growing stream of income to be made available for spending, keeping pace with inflation, in order to sustain the operations and grant-making capacity of the Organization. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes a return objective through diversification of asset classes. The current long-term return objective is to return a minimum of 5%, net of investment fees, plus the rate of inflation. 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 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 parameters.

The spending policy calculates the amount of money annually distributed from the Organization's various endowed funds. The Organization uses the moving 3-year period investment performance results. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment assets to grow, consistent with the Organization's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through new gifts and investment return.

**Income Taxes** - The Organization is a nonprofit organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these financial statements.

**Accounting for Uncertainty in Income Taxes** - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including an position that would place the Organization's exempt status in jeopardy, as of June 30, 2019 and 2018.

**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 \$41,652 and \$38,958 for the years 2019 and 2018. These expenses include \$30,600 of in-kind support.

**Recently Issued Accounting Standards not Yet Adopted** - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. This standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this standard on the financial statements.

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the fiscal year ending June 30, 2021. Early application will be permitted. The Organization is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

**Adoption of New Accounting Standards** - The Organization adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. ASU 2016-14 addresses the complexity and understandability of net assets classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all periods presented.

**Subsequent Events** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 16, 2019, the date the financial statements were available to be issued.

**Reclassifications** - Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

#### NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets less those unavailable for general expenditure within one year.

Financial Assets	
Cash	\$ 108,783
Promises to give	270,068
Investments	385,488
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,208,997</u>
	<u>2,973,336</u>
Less those unavailable for general expenditure within one year due to:	
Board designated net assets	(1,813,205)
Donor designated net assets	(411,978)
Grants payable	<u>(373,966)</u>
	<u>(2,599,149)</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 374,187</u>

Donor-restricted net assets are made up of purpose restriction donations and endowment assets are held in perpetuity. Amounts will be released over time when restrictions are met. Board-designated endowment of \$1,813,205 contains net assets described in Note 10 below.

In addition to financial assets available to meet general expenditures over the year, the Organization anticipates covering its general expenditures by collection of public support and revenue, by utilizing donor-restricted resources from current gifts and by appropriating the investment return, as needed.

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

	<u>2019</u>	<u>2018</u>
Campaign for the Arts	\$ -	\$ 5,515
Marketing campaign project	1,357	3,346
Arts Deep (Website)	14,830	-
Free public concerts	145,791	145,521
Endowment funds	<u>250,000</u>	<u>250,000</u>
	<u>\$ 411,978</u>	<u>\$ 404,382</u>

#### NOTE 4 - GRANTS, CAMPAIGN FOR THE ARTS

Grants to organizations for the years ended and payable as of June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Bach Society of Dayton	\$ 5,940	\$ 4,032
Dayton Contemporary Dance Company	46,411	38,080
Dayton Performing Arts Alliance	85,567	105,280
The Dayton Visual Arts Center	-	4,872
K12 Gallery for Young People	20,408	19,264
Kettering Children's Choir	-	4,144
Springfield Symphony Orchestra	17,949	15,680
The Dayton Art Institute	86,551	79,744
The Human Race Theater Company	42,784	39,872
The Muse Machine	46,718	40,768
WDPR Classic Radio	<u>21,638</u>	<u>19,936</u>
	<u>\$ 373,966</u>	<u>\$ 371,672</u>

#### NOTE 5 - RETIREMENT PLAN

The Organization sponsors a 403(b) Plan. All employees are eligible to voluntarily 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 \$4,931 and \$4,597 for the years 2019 and 2018.

#### NOTE 6 - LEASES

Effective September 1, 2013, the Organization entered into a new operating lease for office space, with a monthly rate of \$1,759, which expires August 31, 2021. The net rent expense for office space totaled \$21,105 for the years 2019 and 2018. Future minimum lease payments for the next three years is \$21,691, \$21,808 and \$3,635.

The Organization also leases various office equipment under operating lease agreements expiring through June 2019. This lease is renewed year-to-year. Net rent expense for office equipment totaled \$2,857 and \$2,674 for the years 2019 and 2018.

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 7 - 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, 2019, the Organization made a grant to this recipient in the amount of \$86,551 to be paid to the grant recipient during the year ended June 30, 2019. During the year ended June 30, 2018, the Organization made a grant in the amount of \$79,744 to this grant recipient, which was paid during the year ended June 30, 2018. The Organization awards grants using an outcomes-based grantmaking formula. Grants were awarded by the Board of Directors without the participation of the related member.

#### NOTE 8 - COMMUNITY FOUNDATION FUNDS

The Organization is the beneficiary recipient of funds held at The Dayton Foundation. The Dayton Foundation has variance power over these funds by agreement with 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 at the Dayton Foundation and subject to the variance powers embedded in their bylaws. The Organization received distributions from these funds in the amount of \$56,751 and \$65,395 for the years ended June 30, 2019 and 2018.

#### NOTE 9 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and equivalents	\$ 10,395	\$ 10,395	\$ -	\$ -
Equity mutual funds	238,485	238,485	-	-
Fixed income mutual funds	136,608	136,608	-	-
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,208,997</u>	<u>-</u>	<u>-</u>	<u>2,208,997</u>
	<u>\$ 2,594,485</u>	<u>\$ 385,488</u>	<u>\$ -</u>	<u>\$ 2,208,997</u>

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and equivalents	\$ 7,212	\$ 7,212	\$ -	\$ -
Equity mutual funds	220,333	220,333	-	-
Fixed income mutual funds	127,428	127,428	-	-
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,207,730</u>	<u>-</u>	<u>-</u>	<u>2,207,730</u>
	<u>\$ 2,562,703</u>	<u>\$ 354,973</u>	<u>\$ -</u>	<u>\$ 2,207,730</u>



## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 9 - FAIR VALUE MEASUREMENTS - continued

The following table set forth a summary of changes in the fair value of the Level 3 assets for the years ended June 30, 2019 and 2018:

	Beneficial Interest in Perpetual Trust	
	2019	2018
Balance, beginning of year	\$ 2,207,730	\$ 2,114,136
Change in fair value	80,460	172,376
Grants paid to other organizations	(36,374)	(36,649)
Grants paid to Culture Works	(42,819)	(42,133)
Balance, end of year	<u>\$ 2,208,997</u>	<u>\$ 2,207,730</u>

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, 2019.

*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 at 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.

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.

#### NOTE 10 - 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. Net investment earnings of these endowment funds are included in the statement of activities as change in value of endowment funds.

## CULTURE WORKS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 10 - BENEFICIAL INTEREST IN ENDOWMENT FUNDS - continued

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.

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,813,205	\$ -	\$ 1,813,205
Donor-designated	<u>-</u>	<u>395,792</u>	<u>395,792</u>
Endowment net assets, end of year	<u>\$ 1,813,205</u>	<u>\$ 395,792</u>	<u>\$ 2,208,997</u>

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,812,209	\$ -	\$ 1,812,209
Donor-designated	<u>-</u>	<u>395,521</u>	<u>395,521</u>
Endowment net assets, end of year	<u>\$ 1,812,209</u>	<u>\$ 395,521</u>	<u>\$ 2,207,730</u>

#### NOTE 11 - IN-KIND DONATIONS

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Advertising	\$ 30,600	\$ 30,600
Parking	4,320	4,320
Professional fees	4,825	4,616
Auction items	<u>2,665</u>	<u>2,113</u>
	<u>\$ 42,410</u>	<u>\$ 41,649</u>