

CULTURE WORKS
(A Nonprofit Organization)
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

CULTURE WORKS

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YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, and the related statements of activities, functional expenses, 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 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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, 2020 and 2019, 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.

Effect of Adopting New Accounting Standards

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standard Update ("ASU") 2018-08, *Not-for-Profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during 2020. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified to this matter.



Dayton, Ohio
November 10, 2020

CULTURE WORKS**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 331,469	\$ 108,783
Promises to give - net	<u>146,406</u>	<u>270,068</u>
	<u>477,875</u>	<u>378,851</u>
OTHER ASSETS		
Investments	259,549	385,488
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,132,885</u>	<u>2,208,997</u>
	<u>2,392,434</u>	<u>2,594,485</u>
	<u>\$ 2,870,309</u>	<u>\$ 2,973,336</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 49,693	\$ -
Accounts payable	4,041	8,970
Grants payable	226,369	373,966
Accrued expenses	<u>17,506</u>	<u>10,722</u>
Total current liabilities	297,609	393,658
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>149,259</u>	<u>-</u>
Total liabilities	<u>446,868</u>	<u>393,658</u>
NET ASSETS		
Net assets without donor restrictions	2,026,623	2,167,700
Net assets with donor restrictions	<u>396,818</u>	<u>411,978</u>
	<u>2,423,441</u>	<u>2,579,678</u>
	<u>\$ 2,870,309</u>	<u>\$ 2,973,336</u>

CULTURE WORKS

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions, Campaign for the Arts	\$ 461,788	\$ 7,485	\$ 469,273
Contributions, Arts awareness and advocacy	8,785	-	8,785
Contributions, Operating support	106,395	-	106,395
Donated materials and services	25,530	-	25,530
Distributed from trusts	57,515	-	57,515
Special events	4,713	-	4,713
Investment return designated for current use	43,643	-	43,643
Other revenue and support	5,000	-	5,000
Release of net assets from restrictions	<u>31,135</u>	<u>(31,135)</u>	<u>-</u>
Total revenue and other support	<u>744,504</u>	<u>(23,650)</u>	<u>720,854</u>
GRANTS AND EXPENSES			
Grants, Campaign for the Arts	261,776	-	261,776
Other	34,336	-	34,336
Endowment distribution to the Dayton Contemporary Dance Company	2,161	-	2,161
Endowment distribution to the Dayton Performing Arts Alliance	14,948	-	14,948
Scholarships	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Total Grants	<u>331,221</u>	<u>-</u>	<u>331,221</u>
Program expenses			
Campaign for the Arts	151,636	-	151,636
Arts awareness and advocacy	<u>190,237</u>	<u>-</u>	<u>190,237</u>
Total Program expenses	341,873	-	341,873
Management, general, and fundraising	<u>171,560</u>	<u>-</u>	<u>171,560</u>
Total Expenses	513,433	-	513,433
Total Grants and Expenses	<u>844,654</u>	<u>-</u>	<u>844,654</u>
Total Operating Loss	<u>(100,150)</u>	<u>(23,650)</u>	<u>(123,800)</u>
NON-OPERATING INCOME (LOSS)			
Change in value of endowment funds held at The Dayton Foundation	(5,849)	8,490	2,641
Net investment return	8,565	-	8,565
Investment return designated for current use	<u>(43,643)</u>	<u>-</u>	<u>(43,643)</u>
Total Non-Operating Income (Loss)	<u>(40,927)</u>	<u>8,490</u>	<u>(32,437)</u>
CHANGE IN NET ASSETS	(141,077)	(15,160)	(156,237)
NET ASSETS			
Beginning of year	<u>2,167,700</u>	<u>411,978</u>	<u>2,579,678</u>
End of year	<u>\$ 2,026,623</u>	<u>\$ 396,818</u>	<u>\$ 2,423,441</u>

CULTURE WORKS**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
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>
GRANTS AND EXPENSES			
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	361,323	-	361,323
Management, general, and fundraising	<u>150,420</u>	<u>-</u>	<u>150,420</u>
Total Expenses	511,743	-	511,743
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>
NON-OPERATING INCOME			
Change in value of endowment funds held at The Dayton Foundation	65,447	15,013	80,460
Net 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>
CHANGE IN NET ASSETS	(30,982)	7,596	(23,386)
NET ASSETS			
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>

CULTURE WORKS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR 2019

	<u>Program</u>		<u>Supporting</u>	<u>2020</u>	<u>2019</u>
	<u>Campaign</u>	<u>Arts</u>	<u>Management,</u>		
	<u>for the</u>	<u>Awareness</u>	<u>General</u>	<u>Total</u>	<u>Total</u>
	<u>Arts and</u>	<u>and</u>	<u>and</u>		
	<u>Grantmaking</u>	<u>Advocacy</u>	<u>Fundraising</u>		
Payroll	\$ 85,131	\$ 80,392	\$ 90,704	\$ 256,227	\$ 229,058
Payroll taxes and workers' compensation	6,447	5,761	6,548	18,756	17,759
Employee benefits	-	-	4,937	4,937	4,931
Organizational development	2,360	3,854	3,211	9,425	11,989
Travel	487	1,626	1,659	3,772	6,449
Supplies	198	126	635	959	1,547
Technology expenses	7,560	7,252	8,457	23,269	23,067
Professional services	6,325	19,796	30,497	56,618	48,917
Bank charges	1,678	-	5,788	7,466	7,236
Rent	7,230	7,230	7,231	21,691	21,105
Postage	1,761	1,366	304	3,431	3,739
Printing	1,872	5,594	118	7,584	13,797
Telephone	1,268	1,267	1,267	3,802	3,932
Insurance	1,456	1,457	3,629	6,542	6,077
Advertising	5,978	1,492	-	7,470	11,052
Dues and subscriptions	160	889	1,430	2,479	2,076
Equipment lease	825	825	825	2,475	2,857
Special project	-	6,364	-	6,364	21,600
Donated materials and service	20,900	-	4,320	25,220	42,410
Miscellaneous	-	44,946	-	44,946	32,145
	<u>\$ 151,636</u>	<u>\$ 190,237</u>	<u>\$ 171,560</u>	<u>\$ 513,433</u>	<u>\$ 511,743</u>

CULTURE WORKS**STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2019**

	<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	\$ 93,054	\$ 51,987	\$ 84,017	\$ 229,058
Payroll taxes and workers' compensation	7,121	3,978	6,660	17,759
Employee benefits	1,627	1,627	1,677	4,931
Organizational development	3,287	8,265	437	11,989
Travel	1,215	3,308	1,926	6,449
Supplies	300	144	1,103	1,547
Technology expenses	7,225	6,655	9,187	23,067
Professional services	13,680	23,002	12,235	48,917
Bank charges	-	-	7,236	7,236
Rent	7,035	7,035	7,035	21,105
Postage	2,708	320	711	3,739
Printing	4,952	7,681	1,164	13,797
Telephone	1,280	1,279	1,373	3,932
Insurance	183	183	5,711	6,077
Advertising	6,989	3,866	197	11,052
Dues and subscriptions	591	414	1,071	2,076
Equipment lease	909	685	1,263	2,857
Special project	17,600	-	4,000	21,600
Donated materials and service	35,325	5,320	1,765	42,410
Miscellaneous	143	30,350	1,652	32,145
	<u>\$ 205,224</u>	<u>\$ 156,099</u>	<u>\$ 150,420</u>	<u>\$ 511,743</u>

CULTURE WORKS**STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (156,237)	\$ (23,386)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(8,565)	(24,574)
Change in value of beneficial interest in endowment fund	<u>(2,641)</u>	<u>(80,460)</u>
	(167,443)	(128,420)
Changes in operating assets and liabilities:		
Promises to give	123,662	(5,499)
Prepaid expenses	-	6,000
Accounts payable	(4,929)	4,623
Grants payable	(147,597)	2,294
Accrued expenses	<u>6,784</u>	<u>(533)</u>
Net cash used by operating activities	<u>(189,523)</u>	<u>(121,535)</u>
INVESTING ACTIVITIES		
Net proceeds from sales of investments	134,505	(5,942)
Withdrawals from endowment funds held at The Dayton Foundation	<u>78,752</u>	<u>79,193</u>
Net cash provided by investing activities	<u>213,257</u>	<u>73,251</u>
FINANCING ACTIVITIES		
Borrowings on long-term debt	<u>198,952</u>	-
NET INCREASE (DECREASE) IN CASH	222,686	(48,284)
CASH		
Beginning of year	<u>108,783</u>	<u>157,067</u>
End of year	<u>\$ 331,469</u>	<u>\$ 108,783</u>

CULTURE WORKS

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019, the Organization had \$396,818 and \$411,978 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

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 2020 and 2019.

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. All assets are fully depreciated.

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, 2020 and 2019.

CULTURE WORKS

NOTES TO FINANCIAL STATEMENTS

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 a position that would place the Organization's exempt status in jeopardy, as of June 30, 2020 and 2019.

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 \$27,970 and \$41,652 for the years 2020 and 2019. These expenses include \$20,500 and \$30,600 of in-kind support for the years 2020 and 2019.

Adoption of New Accounting Standards - The Organization adopted the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standard Update ("ASU") 2018-08, *Not-for-Profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during 2020. The ASU clarifies and improves the scope and the accounting guidance for contributions received, including determining whether a contribution is conditional, and contributions made.

CULTURE WORKS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Standards not Yet Adopted - 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, 2023. 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.

Reclassifications - Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, the date the financial statements were available to be issued.

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.

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash	\$ 331,469	\$ 108,783
Promises to give, net	146,406	270,068
Investments	259,549	385,488
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,132,885</u>	<u>2,208,997</u>
	<u>2,870,309</u>	<u>2,973,336</u>
Less those unavailable for general expenditure within one year due to:		
Board designated net assets	(1,743,552)	(1,813,205)
Donor designated net assets	(396,818)	(411,978)
Grants payable	<u>(226,369)</u>	<u>(373,966)</u>
	<u>(2,366,739)</u>	<u>(2,599,149)</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 503,570</u>	<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 \$1,743,552 and \$1,813,205 for the years 2020 and 2019 contain 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

NOTE 3 - LONG-TERM DEBT

In April 2020, the Organization secured a Paycheck Protection Program loan in the amount of \$49,052. Principal and interest payments are deferred until December 2020. Interest on the loan accrues at 1.00% during this deferral period. Following the deferral period, interest continues to accrue, and the loan must be repaid in monthly installments over the following 18 months. However, if certain criteria are met within the first 8-weeks or the revised 24-weeks of obtaining the loan proceeds, this loan and all accrued interest will be forgiven. The amount of the forgiveness, if any, has not yet been determined. The Organization believes they will be able to obtain forgiveness on the loan; therefore, the Organization has recorded the entire principal balance as current long-term debt.

The Organization also applied for and received funding through the SBA's Economic Injury Disaster Loan in May 2020, for the amount of \$150,000. These funds are to be repaid by May of 2050 with a monthly installments of principle and interest of \$641. This loan accrues interest at 2.75%.

Long-term debt at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Paycheck Protection Program Loan	\$ 49,052	\$ -
SBA's Economic Injury Disaster Loan	<u>149,900</u>	<u>-</u>
	198,952	-
Less current portion	<u>49,693</u>	<u>-</u>
	<u>\$ 149,259</u>	<u>\$ -</u>

Minimum principal payments on long-term debt to maturity as of June 30, 2020 are as follows:

2021	\$ 49,693
2022	7,692
2023	7,692
2024	7,692
2025	7,692
Thereafter	<u>118,491</u>
	<u>\$ 198,952</u>

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

	<u>2020</u>	<u>2019</u>
Marketing campaign project	-	1,357
Arts Deep (Website)	7,485	14,830
Free public concerts	139,333	145,791
Endowment funds	<u>250,000</u>	<u>250,000</u>
	<u>\$ 396,818</u>	<u>\$ 411,978</u>

CULTURE WORKS

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - GRANTS, CAMPAIGN FOR THE ARTS

Grants to organizations for the years ended and payable as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Bach Society of Dayton	\$ 4,159	\$ 5,940
Dayton Contemporary Dance Company	28,227	40,325
Dayton Performing Arts Alliance	59,897	85,567
K12 Gallery for Young People	14,286	20,408
The Contemporary Dayton	4,262	6,086
Springfield Symphony Orchestra	12,566	17,949
The Dayton Art Institute	60,585	86,551
The Human Race Theater Company	29,949	42,784
The Muse Machine	32,702	46,718
WDPR Classic Radio	15,143	21,638
	<u>\$ 261,776</u>	<u>\$ 373,966</u>

NOTE 6 - 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 \$4,937 and \$4,931 for the years 2020 and 2019.

NOTE 7 - 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 \$21,691 and \$21,105 for the years 2020 and 2019. Future minimum lease payments for the next two years is \$21,808 and \$3,635.

The Organization leases office equipment under an operating lease agreement expiring February 2024. Net rent expense for office equipment totaled \$2,475 and \$2,857 for the years 2020 and 2019.

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 \$57,515 and \$56,751 for the years 2020 and 2019.

CULTURE WORKS

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS

The Organization is required to use inputs for measuring fair value according to the three level hierarchy established in the accounting standards, using the highest level possible (e.g., Level 1) if such inputs are available, and if not, going to the next lower level.

The three levels for measuring fair value are:

Level 1 - Fair values are determined by reference to quoted market prices in an active market and other relevant information generated by market transactions.

Level 2 - Fair value is based on model inputs that are observable either directly or indirectly.

Level 3 - Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair measurement. These inputs reflect assumptions of management using valuation techniques consistent from year to year.

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.

Fair values of assets measured on a recurring basis at June 30, 2020 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	\$ 6,215	\$ 6,215	\$ -	\$ -
Equity mutual funds	152,658	152,658	-	-
Fixed income mutual funds	100,676	100,676	-	-
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,132,885</u>	<u>-</u>	<u>-</u>	<u>2,132,885</u>
	<u>\$ 2,392,434</u>	<u>\$ 259,549</u>	<u>\$ -</u>	<u>\$ 2,132,885</u>

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>

CULTURE WORKS

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENTS - continued

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the years ended June 30, 2020 and 2019:

	Beneficial Interest in Perpetual Trust	
	2020	2019
Balance, beginning of year	\$ 2,208,997	\$ 2,207,730
Change in fair value	2,641	80,460
Grants paid to other organizations	(33,859)	(36,374)
Grants paid to Culture Works	(44,894)	(42,819)
Balance, end of year	<u>\$ 2,132,885</u>	<u>\$ 2,208,997</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, 2020.

Cash equivalents: The carrying value approximates fair value.

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

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.

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,743,552	\$ -	\$ 1,743,552
Donor-designated	<u>-</u>	<u>389,333</u>	<u>389,333</u>
Endowment net assets, end of year	<u>\$ 1,743,552</u>	<u>\$ 389,333</u>	<u>\$ 2,132,885</u>

	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>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Advertising	\$ 20,500	\$ 30,600
Parking	4,320	4,320
Professional fees	-	4,825
Auction items	<u>710</u>	<u>2,665</u>
	<u>\$ 25,530</u>	<u>\$ 42,410</u>

NOTE 12 - SUBSEQUENT EVENTS

The COVID-19 pandemic is having a substantial impact on the stock market, the economy, and the normal operations of most businesses. The severity of the financial impact, if any, of this pandemic on the financial position and long-term operations of the Organization is not known at this time.