

CULTURE WORKS AND SUBSIDIARY

(A Nonprofit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

CULTURE WORKS AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Culture Works and Subsidiary
Dayton, Ohio

Opinion

We have audited the accompanying consolidated financial statements of **Culture Works and Subsidiary** (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Culture Works and Subsidiary** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of **Culture Works and Subsidiary** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Culture Works and Subsidiary's** ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Culture Works and Subsidiary's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Culture Works and Subsidiary's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement in the supplemental information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brady, Ware & Schoenfeld, Inc.

Dayton, Ohio
January 19, 2023

CULTURE WORKS AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 608,602	\$ 389,945
Promises to give	251,202	266,449
Accounts receivable	53,147	26,279
Inventory	3,808	-
Prepaid expenses	<u>15,780</u>	<u>250</u>
	<u>932,539</u>	<u>682,923</u>
PROPERTY AND EQUIPMENT	<u>84,531</u>	<u>68,082</u>
OTHER ASSETS		
Investments	390,304	423,045
Beneficial interest in endowment funds held at The Dayton Foundation	2,134,571	2,609,353
Other assets	<u>-</u>	<u>65,669</u>
	<u>2,524,875</u>	<u>3,098,067</u>
	<u>\$ 3,541,945</u>	<u>\$ 3,849,072</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 7,692	\$ 7,692
Accounts payable	141,692	23,207
Grants payable	318,721	318,721
Accrued expenses	10,716	18,982
Deferred revenue	224,546	52,480
Paycheck Protection Program loan	<u>-</u>	<u>55,143</u>
Total current liabilities	703,367	476,225
LONG-TERM DEBT, NET OF CURRENT PORTION	142,208	142,208
DEFERRED TAX LIABILITY	<u>2,470</u>	<u>-</u>
Total liabilities	<u>848,045</u>	<u>618,433</u>
NET ASSETS		
Net assets without donor restrictions	2,017,619	2,668,897
Net assets with donor restrictions	<u>676,281</u>	<u>561,742</u>
	<u>2,693,900</u>	<u>3,230,639</u>
	<u>\$ 3,541,945</u>	<u>\$ 3,849,072</u>

CULTURE WORKS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions, Campaign for the Arts	\$ 309,560	\$ 279,641	\$ 589,201
Contributions, Arts awareness and advocacy	123,377	-	123,377
Contributions, Operating support	283,589	-	283,589
Contribution of nonfinancial assets and services	44,777	-	44,777
Distributed from trusts	59,803	-	59,803
Special events	7,810	-	7,810
Investment return designated for current use	45,317	-	45,317
Other revenue and support	25	-	25
Release of net assets from restrictions	108,604	(108,604)	-
CW Events revenue	<u>376,339</u>	<u>-</u>	<u>376,339</u>
Total revenue and other support	<u>1,359,201</u>	<u>171,037</u>	<u>1,530,238</u>
GRANTS AND EXPENSES			
Grants, Campaign for the Arts	324,156	-	324,156
Other	214,381	-	214,381
Endowment distribution to the Dayton Contemporary Dance Company	2,245	-	2,245
Endowment distribution to the Dayton Contemporary Dance Company	15,529	-	15,529
Scholarships	<u>23,500</u>	<u>-</u>	<u>23,500</u>
Total Grants	<u>579,811</u>	<u>-</u>	<u>579,811</u>
Program Expenses			
Campaign for the Arts	183,837	-	183,837
Arts awareness and advocacy	<u>239,725</u>	<u>-</u>	<u>239,725</u>
Total Program Expenses	423,562	-	423,562
Supporting expenses			
Management and general	112,107	-	112,107
Fundraising	117,785	-	117,785
CW Events expenses	<u>403,170</u>	<u>-</u>	<u>403,170</u>
Total Supporting Expenses	633,062	-	633,062
Total Expenses	1,056,624	-	1,056,624
Total Grants and Expenses	<u>1,636,435</u>	<u>-</u>	<u>1,636,435</u>
Increase (Decrease) in Net Assets from Operations	<u>(277,234)</u>	<u>171,037</u>	<u>(106,197)</u>
NON-OPERATING REVENUE (EXPENSE)			
Change in value of endowment funds held at The Dayton Foundation	(331,693)	(56,498)	(388,191)
Net investment return	(57,812)	-	(57,812)
Investment return designated for current use	(45,317)	-	(45,317)
Paycheck Protection Program loan forgiveness	55,143	-	55,143
Income tax benefit	<u>5,635</u>	<u>-</u>	<u>5,635</u>
Total Non-Operating Expense	<u>(374,044)</u>	<u>(56,498)</u>	<u>(430,542)</u>
CHANGE IN NET ASSETS	(651,278)	114,539	(536,739)
NET ASSETS			
Beginning of year	<u>2,668,897</u>	<u>561,742</u>	<u>3,230,639</u>
End of year	<u>\$ 2,017,619</u>	<u>\$ 676,281</u>	<u>\$ 2,693,900</u>

See notes to consolidated financial statements.

CULTURE WORKS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions, Campaign for the Arts	\$ 452,078	\$ 93,120	\$ 545,198
Contributions, Arts awareness and advocacy	41,197	-	41,197
Contributions, Operating support	192,314	-	192,314
Contribution of nonfinancial assets and services	6,488	-	6,488
Distributed from trusts	57,702	-	57,702
Special events	7,480	-	7,480
Investment return designated for current use	43,925	-	43,925
Other revenue and support	780	-	780
Release of net assets from restrictions	<u>7,577</u>	<u>(7,577)</u>	<u>-</u>
Total revenue and other support	<u>809,541</u>	<u>85,543</u>	<u>895,084</u>
GRANTS AND EXPENSES			
Grants, Campaign for the Arts	318,721	-	318,721
Other	122,296	-	122,296
Endowment distribution to the Dayton Contemporary Dance Company	2,174	-	2,174
Endowment distribution to the Dayton Contemporary Dance Company	15,040	-	15,040
Scholarships	<u>21,500</u>	<u>-</u>	<u>21,500</u>
Total Grants	<u>479,731</u>	<u>-</u>	<u>479,731</u>
Program Expenses			
Campaign for the Arts	114,051	-	114,051
Arts awareness and advocacy	<u>119,440</u>	<u>-</u>	<u>119,440</u>
Total Program Expenses	233,491	-	233,491
Supporting expenses			
Management and general	106,627	-	106,627
Fundraising	<u>105,948</u>	<u>-</u>	<u>105,948</u>
Total Supporting Expenses	212,575	-	212,575
Total Expenses	446,066	-	446,066
Total Grants and Expenses	<u>925,797</u>	<u>-</u>	<u>925,797</u>
Increases (Decrease) in Net Assets from Operations	<u>(116,256)</u>	<u>85,543</u>	<u>(30,713)</u>
NON-OPERATING REVENUE (EXPENSE)			
Change in value of endowment funds held at The Dayton Foundation	479,725	79,381	559,106
Net investment return	66,866	-	66,866
Paycheck Protection Program loan forgiveness	49,052	-	49,052
Cares Act Funding	206,812	-	206,812
Investment return designated for current use	<u>(43,925)</u>	<u>-</u>	<u>(43,925)</u>
Total Non-Operating Revenue	<u>758,530</u>	<u>79,381</u>	<u>837,911</u>
CHANGE IN NET ASSETS	642,274	164,924	807,198
NET ASSETS			
Beginning of year	<u>2,026,623</u>	<u>396,818</u>	<u>2,423,441</u>
End of year	<u>\$ 2,668,897</u>	<u>\$ 561,742</u>	<u>\$ 3,230,639</u>

See notes to consolidated financial statements.

CULTURE WORKS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program		Supporting		Subtotal	CW Events	2022 Total
	Campaign for the Arts and Grantmaking	Arts Awareness and Advocacy	Management and General	Fundraising			
Payroll	\$ 89,861	\$ 89,861	\$ 23,961	\$ 60,067	\$ 263,750	\$ 10,503	\$ 274,253
Payroll taxes and workers' compensation	7,289	7,289	2,015	4,891	21,484	-	21,484
Employee benefits	-	-	8,928	2,039	10,967	-	10,967
Organizational development	-	1,137	869	1,338	3,344	788	4,132
Travel	92	4,330	2,343	535	7,300	158	7,458
Supplies	381	3,232	2,830	2,077	8,520	7,031	15,551
Technology expenses	5,511	6,538	14,173	3,236	29,458	4,629	34,087
Professional services	20,114	53,192	26,617	6,278	106,201	201,653	307,854
Bank charges	2,800	263	4,243	1,117	8,423	168	8,591
Rent	10,448	10,090	7,760	1,772	30,070	8,469	38,539
Postage	2,670	185	566	129	3,550	9	3,559
Printing	475	6,593	-	-	7,068	-	7,068
Telephone	-	-	137	31	168	-	168
Insurance	1,922	1,922	1,565	357	5,766	3,830	9,596
Advertising	2,109	1,278	1	-	3,388	25,952	29,340
Dues and subscriptions	1,054	1,634	365	83	3,136	734	3,870
Depreciation	-	-	11,421	2,608	14,029	6,495	20,524
Equipment lease	849	849	691	158	2,547	-	2,547
Special project	-	16,855	-	-	16,855	-	16,855
Donated materials and service	24,911	17,010	2,325	531	44,777	-	44,777
Miscellaneous	13,351	17,467	1,297	30,538	62,653	888	63,541
Repairs and maintenance	-	-	-	-	-	215	215
Cost of goods sold	-	-	-	-	-	131,648	131,648
	<u>\$ 183,837</u>	<u>\$ 239,725</u>	<u>\$ 112,107</u>	<u>\$ 117,785</u>	<u>\$ 653,454</u>	<u>\$ 403,170</u>	<u>\$ 1,056,624</u>

See notes to consolidated financial statements.

CULTURE WORKS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program		Supporting		2021 Total
	Campaign for the Arts and Grantmaking	Arts Awareness and Advocacy	Management, General and Fundraising	Fundraising	
Payroll	\$ 63,523	\$ 64,781	\$ 46,131	\$ 84,047	\$ 258,482
Payroll taxes and workers' compensation	4,860	4,601	3,471	6,285	19,217
Employee benefits	-	-	5,421	-	5,421
Organizational development	-	-	43	-	43
Travel	320	253	1,413	-	1,986
Supplies	575	110	2,091	747	3,523
Technology expenses	7,023	7,142	8,679	3,100	25,944
Professional services	12,859	20,947	20,199	7,214	61,219
Bank charges	2,895	-	3,124	1,116	7,135
Rent	1,799	1,799	1,325	473	5,396
Postage	2,528	599	90	32	3,249
Printing	2,067	909	-	-	2,976
Telephone	142	143	3,275	1,169	4,729
Insurance	1,953	1,953	2,302	822	7,030
Advertising	5,213	9,776	46	-	15,035
Dues and subscriptions	700	1,015	640	-	2,355
Depreciation	-	-	936	-	936
Equipment lease	1,056	627	720	257	2,660
Donated materials and service	1,258	-	4,800	-	6,058
Miscellaneous	5,280	4,785	1,921	686	12,672
	<u>\$ 114,051</u>	<u>\$ 119,440</u>	<u>\$ 106,627</u>	<u>\$ 105,948</u>	<u>\$ 446,066</u>

See notes to consolidated financial statements.

CULTURE WORKS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (536,739)	\$ 807,198
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,524	936
Net realized and unrealized (gain) loss on investments	57,812	(66,866)
Change in value of beneficial interest in endowment fund	388,191	(559,106)
Paycheck Protection Program loan forgiveness	(55,143)	(49,052)
Deferred income tax	2,470	-
	<u>(122,885)</u>	133,110
Changes in operating assets and liabilities:		
Promises to give	15,247	(120,043)
Accounts receivables	(26,868)	(26,279)
Other assets	65,669	(65,669)
Inventory	(3,808)	-
Prepaid expenses	(15,530)	(250)
Accounts payable	118,488	19,165
Grants payable	-	92,352
Accrued expenses	(8,266)	1,476
Deferred revenue	172,066	52,480
	<u>194,113</u>	<u>86,342</u>
Net cash provided by operating activities		
	<u>194,113</u>	<u>86,342</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(36,973)	(69,018)
Purchases of investments	(25,074)	(96,630)
Distributions from endowment funds held at The Dayton Foundation	86,591	82,639
	<u>24,544</u>	<u>(83,009)</u>
Net cash provided (used) by investing activities		
	<u>24,544</u>	<u>(83,009)</u>
FINANCING ACTIVITIES		
Borrowings on Paycheck Protection Program loan	-	55,143
	<u>-</u>	<u>55,143</u>
NET INCREASE IN CASH	218,657	58,476
CASH		
Beginning of year	<u>389,945</u>	<u>331,469</u>
End of year	<u>\$ 608,602</u>	<u>\$ 389,945</u>

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation Policy - The 2022 consolidated financial statements include the accounts of Culture Works and its subsidiary, CW Events, which are collectively referred to as the "Organization." All significant transactions and balances between entities have been eliminated in consolidation.

Basis of Presentation - The consolidated financial statement presentation follows the recommendations of generally accepted accounting principles in the United States of America. The Organization is required to report information regarding its consolidated 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, 2022 and 2021, the Organization had \$676,281 and \$561,742 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restriction contributions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from 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 two financial institutions, which periodically exceeded FDIC insurance limits during the years 2022 and 2021.

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 consolidated statements of financial position.

Unrealized gains and losses on investments are reported in the consolidated 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.

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, 2022.

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 - Culture Works 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 consolidated financial statements.

CW Events is a C-corporation and files an annual 1120. Income taxes include a provision for taxes currently payable plus the recognition of deferred tax assets and liabilities for the expected future consequences of events included in the consolidated financial statements or tax return as required by the generally accepted accounting principles ("GAAP"). The liability for taxes currently payable is determined using tax rates that have been enacted or substantially enacted as of the consolidated statement of financial position date.

Deferred taxes are recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax basis. Deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each consolidated financial statement date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or a portion of the assets to be recovered.

Deferred taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realized, based on tax rates that have been enacted or substantially enacted by the consolidated statement of financial position date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Culture Works' exempt status in jeopardy, as of June 30, 2022 and 2021.

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 \$29,340 and \$15,035 for the years 2022 and 2021. These expenses include \$9,000 of contributed advertising support for 2022. There was no contributed advertising support for 2021.

Recently Issued Accounting Standards not Yet Adopted - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. The Organization is currently in the process of evaluating the impact of adoption of these standards on the consolidated financial statements.

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

Subsequent Events - In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 19, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 - REVENUE RECOGNITION

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification ("ASC"). Topic 606 replaced most existing revenue recognition guidance in U.S. GAAP, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Topic 606 does not apply to public support received by the Organization or to return on investments which is the primary source of revenue for Culture Works.

CW Events adopted the requirement of the new guidance as of July 1, 2021, upon creation. CW Events derives its revenue primarily from events conducted at the Arcade in Dayton, Ohio. The customer is required to pay the amount invoiced after the completion of the event. CW Events bills each individual event as a standalone contract/agreement and invoices the customer upon completion of the event. Any down payment or deposit received, is held in deferred revenue until the completion of the event.

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - REVENUE RECOGNITION - CONTINUED

Revenue is recognized on an invoice basis and after the completion of the scheduled event. Incidental items that are immaterial in the context of the contract/agreement are recognized as expense. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year. CW Event's contracts are cancelable by either party at any time. CW Events does not have any significant financing components as standard payment terms are typically 30 days from the invoice date. In addition, the nature of the events does not give rise to any significant variable consideration.

Revenue from performance obligations satisfied at a point in time consists of all event revenue generated by CW Events. There is no revenue satisfied over time for CW Events.

The contract balances at June 30, 2022 and 2021 are presented on the consolidated statements of financial position. At July 1, 2021 there were no contract balances.

NOTE 3 - 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>2022</u>	<u>2021</u>
Financial Assets		
Cash	\$ 608,602	\$ 389,945
Promises to give	251,202	266,449
Accounts receivables	53,147	26,279
Investments	390,304	423,045
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,134,571</u>	<u>2,609,353</u>
	<u>3,437,826</u>	<u>3,715,071</u>
Less those unavailable for general expenditure within one year due to:		
Board designated net assets	(1,737,976)	(2,140,731)
Donor designated net assets	<u>(676,281)</u>	<u>(561,742)</u>
	<u>(2,414,257)</u>	<u>(2,702,473)</u>
Financial assets available within one year of statement of financial position date for general expenditure	<u>\$ 1,023,569</u>	<u>\$ 1,012,598</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 \$1,737,976 and \$2,140,731 for the years 2022 and 2021 contain net assets described in Note 13 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 AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 32,065	\$ 12,835
Leasehold improvements	<u>73,925</u>	<u>56,183</u>
Total cost	105,990	69,018
Less accumulated depreciation	<u>21,459</u>	<u>936</u>
	<u>\$ 84,531</u>	<u>\$ 68,082</u>

Depreciation expense for the years 2022 and 2021 were \$20,524 and \$936.

NOTE 5 - LONG-TERM DEBT

The Organization applied for and received funding through the Small Business Administration ("SBA") Economic Injury Disaster Loan in May 2020, for the amount of \$150,000. These funds are to be repaid by May of 2050 with monthly installments of principal and interest of \$641. This loan accrues interest at 2.75%.

Long-term debt at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
SBA's Economic Injury Disaster Loan	\$ 149,900	\$ 149,900
Less current portion	<u>7,692</u>	<u>7,692</u>
	<u>\$ 142,208</u>	<u>\$ 142,208</u>

Minimum principal payments on long-term debt to maturity as of June 30, 2022 are as follows:

2023	\$ 7,692
2024	7,692
2025	7,692
2026	7,692
2027	7,692
Thereafter	<u>111,440</u>
	<u>\$ 149,900</u>

CULTURE WORKS AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

	<u>2022</u>	<u>2021</u>
Campaign for the Arts	\$ 227,989	\$ 80,715
Hoffman Fund	176	-
MCACD	44,389	12,264
Arts Deep (Website)	7,132	141
Dayton Ballet Performances	146,595	218,622
Endowment funds held in perpetuity - see Note 13	<u>250,000</u>	<u>250,000</u>
	<u>\$ 676,281</u>	<u>\$ 561,742</u>

The following schedule is the net assets released from restrictions for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restrictions	<u>\$ 108,604</u>	<u>\$ 7,577</u>

NOTE 7 - GRANTS, CAMPAIGN FOR THE ARTS

Grants to organizations for the years ended and payable as of June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Bach Society of Dayton	\$ 5,063	\$ 5,063
Dayton Contemporary Dance Company	34,368	34,368
Dayton Performing Arts Alliance	72,926	72,926
K12 Gallery for Young People	17,393	17,393
The Contemporary Dayton	5,188	5,188
Springfield Symphony Orchestra	15,298	15,298
The Dayton Art Institute	73,765	73,765
The Human Race Theater Company	36,463	36,463
The Muse Machine	39,816	39,816
WDPR Classic Radio	<u>18,441</u>	<u>18,441</u>
	<u>\$ 318,721</u>	<u>\$ 318,721</u>

NOTE 8 - 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 \$10,967 and \$5,421 for the years 2022 and 2021.

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - LEASES

Effective September 1, 2013, the Organization entered into an operating lease for office space, with a monthly rate of \$1,759, which expired August 31, 2020. The net rent expense for office space totaled \$3,518 for the year 2021.

Effective May 2019, the Organization entered into a new operating lease for office space, with a monthly rate ranging from \$1,000 to \$1,126, which expires May 2024. Due to the COVID-19 pandemic, the lease was deferred until May 2021. The net rent expense for the new office space totaled \$26,470 and \$1,000 for the years 2022 and 2021. The Organization is required to pay \$5.89 per square foot per year for operating expenses which are included in net rent expense for the year 2022.

The Organization leases office equipment under operating lease agreements expiring February 2024. Net rent expense for office equipment totaled \$2,546 and \$2,660 for the years 2022 and 2021.

The following is a schedule of future minimum lease payments under the leases as of June 30, 2022:

2023	\$	13,834
2024		13,613
2025		13,153
2026		<u>12,393</u>
	\$	<u>52,993</u>

NOTE 10 - OTHER ASSETS

Effective July 1, 2021, the Organization created a new wholly owned events management organization. Before the entity legally existed, the Organization paid certain expenses on behalf of the entity that will be fully reimbursed by the newly created entity. These expenses and cash account are held separately as other assets on the consolidated statement of financial position as of June 30, 2021. Subsequent to June 30, 2021, the entity transferred these assets to the newly created entity and was reimbursed accordingly.

NOTE 11 - 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 \$59,803 and \$57,702 for the years 2022 and 2021.

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - 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, 2022 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	\$ 7,943	\$ 7,943	\$ -	\$ -
Equity mutual funds	230,580	230,580	-	-
Fixed income mutual funds	151,781	151,781	-	-
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,134,571</u>	<u>-</u>	<u>-</u>	<u>2,134,571</u>
	<u>\$ 2,524,875</u>	<u>\$ 390,304</u>	<u>\$ -</u>	<u>\$ 2,134,571</u>

Fair values of assets measured on a recurring basis at June 30, 2021 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	\$ 10,269	\$ 10,269	\$ -	\$ -
Equity mutual funds	148,587	148,587	-	-
Fixed income mutual funds	264,189	264,189	-	-
Beneficial interest in endowment funds held at The Dayton Foundation	<u>2,609,353</u>	<u>-</u>	<u>-</u>	<u>2,609,353</u>
	<u>\$ 3,032,398</u>	<u>\$ 423,045</u>	<u>\$ -</u>	<u>\$ 2,609,353</u>

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - FAIR VALUE MEASUREMENTS - CONTINUED

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, 2022. There were no transfers to or from Level 3 assets for the years 2022 and 2021.

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 13 - 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 consolidated statements of activities as change in value of endowment funds held at The Dayton Foundation.

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.

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 1,737,976	\$ -	\$ 1,737,976
Donor-designated	<u>-</u>	<u>396,595</u>	<u>396,595</u>
Endowment net assets, end of year	<u>\$ 1,737,976</u>	<u>\$ 396,595</u>	<u>\$ 2,134,571</u>

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - BENEFICIAL INTEREST IN ENDOWMENT FUNDS - CONTINUED

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 2,140,731	\$ -	\$ 2,140,731
Donor-designated	<u>-</u>	<u>468,622</u>	<u>468,622</u>
Endowment net assets, end of year	<u>\$ 2,140,731</u>	<u>\$ 468,622</u>	<u>\$ 2,609,353</u>

NOTE 14 - CONTRIBUTION OF NONFINANCIAL ASSETS 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, 2022 and 2021:

	2022	2021
Advertising	\$ 9,000	\$ -
Events	13,143	-
Parking	1,800	4,800
Professional fees	20,234	-
Auction items	<u>600</u>	<u>1,688</u>
	<u>\$ 44,777</u>	<u>\$ 6,488</u>

The Organization recognized contributed advertising, events, parking, professional fees and auction items, all of which are utilized for the Organization's operations. Unless otherwise noted, contributed services and materials did not have donor-imposed restrictions.

Contributed advertising is valued at the estimated fair value in the consolidated financial statements based on similar services.

Contributed events are valued at the estimated fair value in the consolidated financial statements based on similar events.

Contributed parking is valued at the estimated fair value in the consolidated financial statements based on current rates of parking fees.

Contributed professional fees are valued at the estimated fair value in the consolidated financial statements based on similar services.

Contributed auction items are valued at the estimated fair value in the consolidated financial statements based on an independent appraisal at the time of donation.

CULTURE WORKS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received loan proceeds in the amount of \$49,052 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower meets certain criteria.

The Organization initially recorded a note payable and subsequently recorded forgiveness when it was deemed the Organization met the requirements of forgiveness. The Organization recognized \$49,052 of loan forgiveness income for the year ended June 30, 2021. The loan was fully forgiven in January 2021.

In April 2021, the Organization received additional loan proceeds in the amount of \$55,143 under the program. The Organization initially recorded a note payable and subsequently recorded forgiveness when it was deemed the Organization met the requirements of forgiveness. The Organization recognized \$55,143 of loan forgiveness income for the year ended June 30, 2022. The loan was fully forgiven in January 2022.

NOTE 16 - INCOME TAXES

The provision for income taxes is based on net income for federal income tax purposes computed at statutory tax rates and is included in the non-operating revenue (expense) on the accompanying consolidated statements of activities. The principal cause of tax differences between financial accounting net income and net income for federal income tax purposes are a result of the different useful lives for property and equipment as well as amortization of start-up expenses.

Income tax (benefit) provision consisted of the following:

	<u>2022</u>	<u>2021</u>
Federal and state		
Current	\$ (8,105)	\$ -
Deferred	<u>2,470</u>	<u>-</u>
	<u>\$ (5,635)</u>	<u>\$ -</u>

CULTURE WORKS AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - ASSETS

JUNE 30, 2022

	<u>Culture Works</u>	<u>CW Events</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 345,469	\$ 263,133	\$ 608,602	\$ -	\$ 608,602
Promises to give	251,202	-	251,202	-	251,202
Accounts receivable	26,596	26,551	53,147	-	53,147
Account receivable - related party	49,662	-	49,662	(49,662)	-
Inventory	-	3,808	3,808	-	3,808
Prepaid expenses	7,675	8,105	15,780	-	15,780
	<u>680,604</u>	<u>301,597</u>	<u>982,201</u>	<u>(49,662)</u>	<u>932,539</u>
PROPERTY AND EQUIPMENT	<u>58,553</u>	<u>25,978</u>	<u>84,531</u>	<u>-</u>	<u>84,531</u>
OTHER ASSETS					
Investments	390,304	-	390,304	-	390,304
Beneficial interest in endowment funds held at The Dayton Foundation	2,134,571	-	2,134,571	-	2,134,571
Investment in subsidiary	15,000	-	15,000	(15,000)	-
	<u>2,539,875</u>	<u>-</u>	<u>2,539,875</u>	<u>(15,000)</u>	<u>2,524,875</u>
	<u>\$ 3,279,032</u>	<u>\$ 327,575</u>	<u>\$ 3,606,607</u>	<u>\$ (64,662)</u>	<u>\$ 3,541,945</u>

CULTURE WORKS AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - LIABILITIES AND NET ASSETS

JUNE 30, 2022

	<u>Culture Works</u>	<u>CW Events</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of long-term debt	\$ 7,692	\$ -	\$ 7,692	\$ -	\$ 7,692
Accounts payable	38,750	102,942	141,692	-	141,692
Accounts payable - related party	-	49,662	49,662	(49,662)	-
Grants payable	318,721	-	318,721	-	318,721
Accrued expenses	10,672	44	10,716	-	10,716
Deferred revenue	45,891	178,655	224,546	-	224,546
Total current liabilities	421,726	331,303	753,029	(49,662)	703,367
LONG-TERM DEBT, NET OF CURRENT PORTION	142,208	-	142,208	-	142,208
DEFERRED TAX LIABILITY	-	2,470	2,470	-	2,470
Total liabilities	563,934	333,773	897,707	(49,662)	848,045
NET ASSETS					
Net assets without donor restrictions	2,038,817	(21,198)	2,017,619	-	2,017,619
Net assets with donor restrictions	676,281	-	676,281	-	676,281
Contribution	-	15,000	15,000	(15,000)	-
	2,715,098	(6,198)	2,708,900	(15,000)	2,693,900
	\$ 3,279,032	\$ 327,575	\$ 3,606,607	\$ (64,662)	\$ 3,541,945