



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

**ARTSFUND AND
ARTSFUND FOUNDATION**

September 30, 2022 and 2021



MOSSADAMS

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Report of Independent Auditors

The Audit Committee of the Board of Trustees
ArtsFund and ArtsFund Foundation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ArtsFund and ArtsFund Foundation, which comprise the consolidated balance sheets as of September 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of ArtsFund and ArtsFund Foundation as of September 30, 2022 and 2021, and the change in their net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ArtsFund and ArtsFund Foundation 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 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 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 ArtsFund and ArtsFund Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 consolidated 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 ArtsFund and ArtsFund Foundation'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 ArtsFund and ArtsFund Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on pages 21 through 25 is presented for purposes of additional analysis, and 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 information has been subjected to the auditing procedures applied in the audit 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Seattle, Washington
January 31, 2023

ArtsFund and ArtsFund Foundation
Consolidated Balance Sheets

ASSETS

	September 30,	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,358,281	\$ 4,989,798
Investments, at fair value	1,724,496	3,239,844
Pledges receivable, net	886,061	82,854
Security deposit	10,853	10,853
Prepaid expenses and other	41,019	43,810
	7,020,710	8,367,159
NONCURRENT ASSETS		
Long-term pledges receivable	972,500	-
Long-term investments	24,636,457	29,313,301
Equipment and website, net	136,144	134,857
	25,745,101	29,448,158
Total noncurrent assets	25,745,101	29,448,158
Total assets	\$ 32,765,811	\$ 37,815,317

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	\$ 65,131	\$ 72,344
NET ASSETS		
Without donor restrictions	16,447,360	19,160,564
With donor restrictions	16,253,320	18,582,409
	32,700,680	37,742,973
Total net assets	32,700,680	37,742,973
Total liabilities and net assets	\$ 32,765,811	\$ 37,815,317

ArtsFund and ArtsFund Foundation
Consolidated Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 3,096,821	\$ 1,277,087	\$ 4,373,908
Donated services	67,636	-	67,636
Investment return	(2,357,842)	(2,964,676)	(5,322,518)
Other income	57,697	-	57,697
Net assets released from donor restrictions	641,500	(641,500)	-
	<u>1,505,812</u>	<u>(2,329,089)</u>	<u>(823,277)</u>
EXPENSES AND GRANTS			
Program services	762,982	-	762,982
Supporting services			
Management and general	780,175	-	780,175
Fundraising	339,129	-	339,129
	<u>1,882,286</u>	<u>-</u>	<u>1,882,286</u>
Grants to beneficiaries	<u>2,361,400</u>	<u>-</u>	<u>2,361,400</u>
	<u>4,243,686</u>	<u>-</u>	<u>4,243,686</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING REVENUE			
	<u>(2,737,874)</u>	<u>(2,329,089)</u>	<u>(5,066,963)</u>
NONOPERATING REVENUE AND EXPENSES			
Other nonoperating income	<u>24,670</u>	<u>-</u>	<u>24,670</u>
	<u>24,670</u>	<u>-</u>	<u>24,670</u>
CHANGE IN NET ASSETS			
	<u>(2,713,204)</u>	<u>(2,329,089)</u>	<u>(5,042,293)</u>
Beginning of year	<u>19,160,564</u>	<u>18,582,409</u>	<u>37,742,973</u>
End of year	<u>\$ 16,447,360</u>	<u>\$ 16,253,320</u>	<u>\$ 32,700,680</u>

ArtsFund and ArtsFund Foundation
Consolidated Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 2,738,125	\$ 25,000	\$ 2,763,125
Donated services	16,955	-	16,955
Investment return	2,341,934	3,022,989	5,364,923
Other income	210,487	-	210,487
Net assets released from donor restrictions	628,500	(628,500)	-
	<u>5,936,001</u>	<u>2,419,489</u>	<u>8,355,490</u>
EXPENSES AND GRANTS			
Program services	675,282	-	675,282
Supporting services			
Management and general	549,271	-	549,271
Fundraising	365,284	-	365,284
	<u>1,589,837</u>	<u>-</u>	<u>1,589,837</u>
Grants to beneficiaries	<u>2,338,965</u>	<u>-</u>	<u>2,338,965</u>
	<u>3,928,802</u>	<u>-</u>	<u>3,928,802</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING REVENUE			
	<u>2,007,199</u>	<u>2,419,489</u>	<u>4,426,688</u>
NONOPERATING REVENUE AND EXPENSES			
Government contracts	10,995,600	-	10,995,600
Grants to beneficiaries with government contract funds	(10,780,000)	-	(10,780,000)
Other nonoperating income	250,000	-	250,000
	<u>465,600</u>	<u>-</u>	<u>465,600</u>
CHANGE IN NET ASSETS	2,472,799	2,419,489	4,892,288
NET ASSETS			
Beginning of year	<u>16,687,765</u>	<u>16,162,920</u>	<u>32,850,685</u>
End of year	<u>\$ 19,160,564</u>	<u>\$ 18,582,409</u>	<u>\$ 37,742,973</u>

ArtsFund and ArtsFund Foundation
Consolidated Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services	Supporting Services		Totals
		Management and General	Fundraising	
Personnel	\$ 490,816	\$ 444,644	\$ 257,060	\$ 1,192,520
Professional services	86,231	111,533	13,588	211,352
Events/meetings	842	1,936	1,426	4,204
Travel	2,681	2,659	1,451	6,791
Insurance	5,946	11,043	-	16,989
Occupancy	43,411	80,620	-	124,031
Communications	4,501	7,074	201	11,776
Office supplies/printing	16,910	16,542	9,476	42,928
Equipment	21,684	27,134	10,035	58,853
Dues and publications	8,056	11,886	469	20,411
Promotion/advertising	14,536	9,340	597	24,473
Fees and taxes	4,779	8,874	-	13,653
Arts events/miscellaneous	6,849	10,584	1,526	18,959
Bad debt	2,003	2,597	5,011	9,611
In-kind	13,275	16,073	38,289	67,637
Depreciation/amortization	9,496	17,636	-	27,132
Collaborations and partnerships	30,966	-	-	30,966
Total program and supporting services	762,982	780,175	339,129	1,882,286
Total grants to beneficiaries	2,361,400	-	-	2,361,400
Total expenses and grants	\$ 3,124,382	\$ 780,175	\$ 339,129	\$ 4,243,686

ArtsFund and ArtsFund Foundation
Consolidated Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services	Supporting Services		Totals
		Management and General	Fundraising	
Personnel	\$ 479,992	\$ 324,225	\$ 278,030	\$ 1,082,247
Professional services	74,404	85,495	10,053	169,952
Events/meetings	4,328	550	3,562	8,440
Travel	96	21	66	183
Insurance	-	15,322	-	15,322
Occupancy	47,441	26,790	37,395	111,626
Communications	3,839	3,061	5,092	11,992
Office supplies/printing	10,860	11,926	8,850	31,636
Equipment	12,811	21,207	12,410	46,428
Dues and publications	70	12,838	600	13,508
Promotion/advertising	3,584	765	-	4,349
Fees and taxes	-	17,591	-	17,591
Arts events/miscellaneous	3,174	1,451	4,007	8,632
Bad debt	-	13,293	-	13,293
In-kind	8,296	3,440	5,219	16,955
Depreciation/amortization	-	11,296	-	11,296
Collaborations and partnerships	26,387	-	-	26,387
Total program and supporting services	675,282	549,271	365,284	1,589,837
Total grants to beneficiaries	2,338,965	-	-	2,338,965
Total expenses and grants	\$ 3,014,247	\$ 549,271	\$ 365,284	\$ 3,928,802

ArtsFund and ArtsFund Foundation Consolidated Statements of Cash Flows

	Years Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,042,293)	\$ 4,892,288
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	27,132	11,296
PPP loan forgiveness	-	(149,090)
Net realized and unrealized gain on investments	6,218,124	(5,135,504)
Contributions restricted for endowments	(24,670)	(250,000)
Changes in operating assets and liabilities		
Pledges receivable	(1,775,707)	99,206
Prepaid expenses and other	2,791	(17,473)
Accounts payable and other accrued liabilities	(7,213)	50,030
Net cash provided by (used in) operating activities	<u>(601,836)</u>	<u>(499,247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(28,419)	(27,385)
Purchases of investments	(5,029,401)	(11,740,244)
Proceeds from sale of investments	<u>5,003,469</u>	<u>12,130,965</u>
Net cash (used in) provided by investing activities	<u>(54,351)</u>	<u>363,336</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowments	<u>24,670</u>	<u>250,000</u>
Net cash provided by financing activities	<u>24,670</u>	<u>250,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(631,517)</u>	<u>114,089</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>4,989,798</u>	<u>4,875,709</u>
End of year	<u>\$ 4,358,281</u>	<u>\$ 4,989,798</u>

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Description of business – ArtsFund is a not-for-profit corporation whose mission is to strengthen the community by supporting the arts through leadership, advocacy, and grantmaking in the Puget Sound area. Its vision is a dynamic and world-class arts and cultural sector where the arts are accessible to all and valued as a central and critical component to a healthy society. ArtsFund solicits contributions from corporations, individuals, and foundations to provide grants as well as assistance on business operations, governance, and leadership to various arts organizations. ArtsFund takes a leadership role on broader initiatives that foster the future of the arts in the community by increasing the community's connection to the arts and awareness of the value of the arts, as well as ensuring that the arts sector reflects and represents the broader and evolving community by engaging culturally diverse communities and individuals, younger generations, and underserved populations in the arts.

On May 21, 1997, ArtsFund established The ArtsFund Foundation (the Foundation), a not-for-profit Washington foundation, with ArtsFund as the sole supported organization. In 2010, the Articles of Incorporation of the Foundation were amended to add certain other supported 501(c)(3) organizations. The purpose of the Foundation is to manage ArtsFund's long-term investments and the endowment. The Foundation is managed by a separate Board of Trustees that reports to ArtsFund's Board of Trustees at regularly scheduled meetings. It is the policy of the Foundation each year to transfer a portion of board-designated endowment assets without donor restrictions, as well as donor restricted endowment assets, with the intent that such funds be distributed to (1) various arts groups as determined by the Allocation Committee of the Board of Trustees and (2) other not-for-profit art organizations as specified by donors.

Principles of consolidation – The consolidated financial statements include the activities of ArtsFund and the Foundation (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Use of estimates – The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of contributions, pledges, revenues, expenses, and grants during the reporting period. Actual results could differ from those estimates.

Cash equivalents – The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents. Cash equivalents at September 30, 2022 and 2021, include checking and savings accounts. The Organization places its cash deposits and short-term investments in accounts with major financial institutions that, at times, may exceed federally insured limits.

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Investments – Investments are carried at fair value, which is determined using quoted market prices. Realized and unrealized gains and losses are reflected in the consolidated statements of activities in investment return. Interest and dividends are included in investment return as earned. Investment return is net of fees related to the management of the Foundation’s investments.

Contributions – Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions are substantially met. The gifts of cash and other assets are reported as donor restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction. Interest return on net assets with donor restrictions earmarked for specific grants are classified as net assets with donor restrictions. The interest return is reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction when grants are made. Donated securities and property are recorded at their fair value at the time of donation.

Pledges receivable – Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible accounts is recorded using an estimated percentage of outstanding contributions receivable. This estimate is compared to historical averages to determine its reasonableness.

Donated services – Volunteers contribute substantial time to ArtsFund, primarily for contribution solicitation. The value of this contributed time is not reflected in the consolidated financial statements because it does not meet the specific criteria in accordance with GAAP. Donated business services, such as advertising, accounting, legal, and technology services, are recorded as support and expense at estimated fair value.

Equipment and website design – Equipment, and website design are recorded at cost, or, if donated, fair value at the date of donation. All acquisitions of property and equipment in excess of \$2,000 and an estimated useful life exceeding one year are capitalized. Depreciation is computed on the building, equipment, and website design using the straight-line method and the following estimated useful lives:

Equipment	3 to 10 years
Website design	3 years

ArtsFund and ArtsFund Foundation Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Grants to beneficiaries and grant obligations – ArtsFund’s grant-making process is conducted by the allocation committee, comprised of corporate and private grant-making experts. Based on grant applications and interviews, they systematically rate each art organization against the same key evaluation points. In fiscal year 2022, all grants approved by the Board of Trustees were paid in full in June and September. In fiscal year 2021, all grants approved by the Board of Trustees were paid in full in June. Designated gifts for specific art organizations are paid periodically throughout the year as cash is received. The balance of the grants payable as of September 30, 2022 and 2021, is \$0.

Net assets – A description of the two net asset categories follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions that are general in nature or that are for operating purposes. Donor-restricted contributions received that meet restriction in the same year are recorded as net assets without donor restrictions. A board-designated operating reserve was \$440,000 at September 30, 2022 and 2021. The board-designated amounts of \$11,784,133 and \$14,370,149 at September 30, 2022 and 2021, respectively, are comprised of the Foundation endowments discussed in Note 10.

Net assets with donor restrictions – Net assets that are subject to donor-imposed time or use restrictions that have not been met or may never be spent by the Organization.

Income taxes – ArtsFund and the Foundation are not-for-profit corporations exempt from federal income tax, except for unrelated business income under Section 501(c)(3) of the Internal Revenue Code. In addition, ArtsFund and the Foundation have been classified as entities that are not private foundations within the meaning of Section 509(a) and qualify for deductible contributions as provided in Section 170(b)(1)(A)(vi). Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying consolidated financial statements.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization files an exempt organization return and applicable unrelated business income tax return in the U.S. federal jurisdiction.

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Functional allocation of expenses – Expenses are allocated to program and supporting services based on management’s percentage estimates of time and expenses or square footage related to each functional category.

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and Effort
Professional services	Time and Effort
Events/meetings	Time and Effort
Travel	Time and Effort
Insurance	Time and Effort
Occupancy	Square Footage
Communications	Time and Effort
Office supplies/printing	Time and Effort
Equipment	Time and Effort
Dues and publications	Time and Effort
Promotion/advertising	Time and Effort
Fees and taxes	Time and Effort
Arts events/miscellaneous	Time and Effort
Bad debt	Time and Effort
In-kind	Time and Effort
Depreciation/amortization	Time and Effort
Collaborations and partnerships	Time and Effort

Operating and nonoperating activity – Operating activities represent support and revenues and expenses solely related to the Organization’s primary activities for the direct purpose of fulfilling its mission. For the year ended September 30, 2022, the Organization did not receive any government contract revenues. For the year ended September 30, 2021, the Organization received a government contract from the Washington State Department of Commerce for immediate distribution to grant beneficiaries. Total amount received under the contract was \$10,995,600 which is reported as nonoperating revenue. Of this amount, \$10,780,000 was distributed to grant beneficiaries and \$215,600 was retained as an administrative fee for the Organization.

Accounting standard implementation – The Organization implemented Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The adoption did not result in a change to how the Organization accounts for in-kind revenue.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheets, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheets but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued. The Organization has evaluated subsequent events through January 31, 2023, which is the date the consolidated financial statements were available to be issued.

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 2 – Fair Value Measurement

The Organization applies the authoritative guidance for Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets that are measured at fair value on a recurring basis are categorized using the three levels of the fair value hierarchy as follows as of September 30:

	2022			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 1,724,496	\$ -	\$ -	\$ 1,724,496
Fixed income				
Investment Grade Bonds	1,641,872	-	-	1,641,872
Asset backed (govt & agency)	1,121,419	-	-	1,121,419
Asset backed (corporate)	428,971	-	-	428,971
Corporate bonds	799,210	-	-	799,210
Mutual funds-fixed	1,993,728	-	-	1,993,728
Foreign bonds	396,540	-	-	396,540
Equities				
Consumer discretionary	869,879	-	-	869,879
Consumer staples	426,958	-	-	426,958
Energy	408,341	-	-	408,341
Financials	1,331,346	-	-	1,331,346
Health care	1,283,368	-	-	1,283,368
Industrials	1,219,875	-	-	1,219,875
Information technology	1,573,165	-	-	1,573,165
Materials	547,933	-	-	547,933
Real estate	130,029	-	-	130,029
Telecommunication services	333,075	-	-	333,075
Utilities	1,564	-	-	1,564
Mutual funds-equity	907,595	-	-	907,595
Other equities	7,577,157	-	-	7,577,157
Alternative - Hedge Fund	821,762	-	-	821,762
Commodities	822,670	-	-	822,670
	<u>\$ 26,360,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,360,953</u>

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 2 – Fair Value Measurement (continued)

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,239,844	\$ -	\$ -	\$ 3,239,844
Fixed income				
Investment Grade Bonds	1,199,007	-	-	1,199,007
Asset Backed (govt & agency)	1,150,088	-	-	1,150,088
Asset Backed (corporate)	464,432	-	-	464,432
Corporate bonds	875,600	-	-	875,600
Mutual funds-fixed	211,585	-	-	211,585
Foreign bonds	256,769	-	-	256,769
Equities				
Consumer discretionary	1,154,896	-	-	1,154,896
Consumer staples	545,538	-	-	545,538
Energy	226,270	-	-	226,270
Financials	1,789,601	-	-	1,789,601
Health care	1,573,368	-	-	1,573,368
Industrials	1,536,434	-	-	1,536,434
Information technology	2,290,803	-	-	2,290,803
Materials	385,238	-	-	385,238
Real estate	439,658	-	-	439,658
Telecommunication services	723,795	-	-	723,795
Utilities	338,558	-	-	338,558
Mutual funds-equity	-	-	-	-
Other equities	11,981,861	-	-	11,981,861
Alternative - Hedge Fund	434,309	-	-	434,309
Commodities	1,735,491	-	-	1,735,491
	<u>\$ 32,553,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,553,145</u>

The underlying investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities and investment contracts, and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated financial statements.

The Organization's management determines the fair value measurement policies and procedures in consultation with the Organization's investment advisors. These policies and procedures are reassessed at least annually to determine whether the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The Organization's policy is to recognize transfers in and out of Level 2, or 3 as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels for the years ended September 30, 2022 and 2021.

ArtsFund and ArtsFund Foundation
Notes to Consolidated Financial Statements

Note 2 – Fair Value Measurement (continued)

The following table discloses the summary of changes in the fair value of Level 1 investment assets:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized (loss) gain	\$ (6,218,124)	\$ 5,135,504
Interest and dividends	1,070,150	377,453
Management fees	<u>(174,544)</u>	<u>(148,034)</u>
	<u>\$ (5,322,518)</u>	<u>\$ 5,364,923</u>

Note 3 – Pledges Receivable

Pledges receivable consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 938,061	\$ 134,854
Amounts due in 1–5 years	972,500	-
Allowance for doubtful accounts	<u>(52,000)</u>	<u>(52,000)</u>
	<u>\$ 1,858,561</u>	<u>\$ 82,854</u>

Note 4 – Land, Building, Equipment and Website Design

Capital assets summarized by major classification are as follows at September 30:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 561,325	\$ 532,906
Website design	<u>34,868</u>	<u>34,868</u>
	596,193	567,774
Less accumulated depreciation/amortization	<u>(460,049)</u>	<u>(432,917)</u>
Total capital assets	<u>\$ 136,144</u>	<u>\$ 134,857</u>

Depreciation for the years ended September 30, 2022 and 2021, was \$27,132 and \$11,296, respectively.

Note 5 – PPP Loan Payable

In April 2020, ArtsFund received a loan of \$149,090 through the Small Business Administration as a consequence of the CARES Act passed by Congress in response to the COVID-19 pandemic. The Paycheck Protection Program (PPP) loan was fully forgiven in fiscal year 2021 and is included in other income on the consolidated statement of activities.

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 6 – Lease Commitments

Office lease – The Organization entered into an office lease effective July 30, 2019 for 84 months, with a lease commencement date of January 1, 2020, and ending on December 31, 2026. Rent is computed at the annual base rate of \$28.50 per rentable square foot for months 1–12 of the initial term, increasing by \$1.00 per rentable square foot annually thereafter on the anniversary of the lease commencement date. Future minimum lease payments under noncancelable lease for the years ending September 30 are as follows:

2023	\$	127,433
2024		131,208
2025		134,983
2026		138,757
Thereafter		<u>34,689</u>
	\$	<u>567,070</u>

Office lease expense for the years ended September 30, 2022 and 2021, was \$124,031 and \$111,626, respectively.

Operating leases – ArtsFund leases certain equipment under noncancelable operating leases. Future minimum lease payments under noncancelable operating leases for the years ending September 30 are as follows:

2023	\$	5,573
2024		5,573
2025		<u>528</u>
	\$	<u>11,674</u>

Rental expense under equipment operating leases for the years ended September 30, 2022 and 2021, was \$5,573 and \$6,211, respectively.

Note 7 – Concentrations

At September 30, 2022 and 2021, there was a contribution revenue concentration of 35% and 10% from three donors and one donor, respectively. At September 30, 2022 and 2021, there was a receivable concentration of 63% and 0% from three donors and one donor, respectively.

Note 8 – Related-Party Transactions

Contribution revenue from board members included in the consolidated statements of activities was \$250,666 and \$264,559 for the years ended September 30, 2022 and 2021, respectively. Balances outstanding of \$13,710 and \$22,740 from board members are included in pledges receivable in the accompanying consolidated balance sheets for the years ended September 30, 2022 and 2021.

ArtsFund and ArtsFund Foundation Notes to Consolidated Financial Statements

Note 9 – Retirement Plan

ArtsFund sponsors a 403(b) plan (the Plan) for the benefit of all ArtsFund employees. The Plan provides for a 100% match of the first 3% of compensation (as defined by the Plan) that is deferred into the Plan by a participant who worked at least 20 hours a week during the year. Participants are 100% vested in the ArtsFund match. Total matching expenses incurred under the Plan for the years ended September 30, 2022 and 2021, were \$25,378 and \$25,098, respectively.

Note 10 – Endowment Policies

In accordance with GAAP and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), investment earnings on net assets with donor restrictions, including realized and unrealized capital gains, are classified as net assets with donor restrictions until they are appropriated for distribution to ArtsFund in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net assets consist of the following as of September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,784,133	\$ -	\$ 11,784,133
Donor-restricted endowment funds	-	14,576,820	14,576,820
Total endowment funds	<u>\$ 11,784,133</u>	<u>\$ 14,576,820</u>	<u>\$ 26,360,953</u>
Endowment net assets, October 1, 2021	\$ 14,370,149	\$ 18,182,996	\$ 32,553,145
Investment return			
Net realized and unrealized gain	(2,762,307)	(3,455,827)	(6,218,134)
Interest and dividends	467,009	588,807	1,055,816
Management fees and taxes	(76,888)	(97,656)	(174,544)
Total investment return	(2,372,186)	(2,964,676)	(5,336,862)
Transfer of contributions	24,670	-	24,670
Appropriation of endowment assets for expenditure	(238,500)	(641,500)	(880,000)
Endowment net assets, September 30, 2022	<u>\$ 11,784,133</u>	<u>\$ 14,576,820</u>	<u>\$ 26,360,953</u>

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 10 – Endowment Policies (continued)

Endowment net assets consist of the following as of September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 14,370,149	\$ -	\$ 14,370,149
Donor-restricted endowment funds	-	18,182,996	18,182,996
Total endowment funds	\$ 14,370,149	\$ 18,182,996	\$ 32,553,145
Endowment net assets, October 1, 2020	\$ 12,044,855	\$ 15,763,507	\$ 27,808,362
Investment return			
Net realized and unrealized gain	2,222,419	2,913,085	5,135,504
Interest and dividends	162,330	210,983	373,313
Management fees and taxes	(64,427)	(83,607)	(148,034)
Total investment return	2,320,322	3,040,461	5,360,783
Transfer of building sale proceeds	267,472	(17,472)	250,000
Appropriation of endowment assets for expenditure	(262,500)	(603,500)	(866,000)
Endowment net assets, September 30, 2021	\$ 14,370,149	\$ 18,182,996	\$ 32,553,145

Foundation endowments consisted of the following at September 30:

	2022	2021
Donor - restricted endowment funds		
The Ned and Kayla Skinner Artistic Enrichment Fund		
D. E. "Ned" Skinner Endowment Fund	\$ 2,270,424	\$ 2,834,702
Kathryn L. Skinner Charitable Lead Trust	3,681,778	4,575,842
Kreielsheimer Fund	2,155,196	2,690,831
Peter F. Donnelly Merit Fund	1,651,030	2,061,359
The John Brooks Williams and John H. Bauer Endowment for Theatre	1,435,375	1,792,144
Ackerley Excellence Fund	1,162,944	1,452,108
Guendolen Carkeek Plestcheeff Decorative & Design Arts Fund	1,099,639	1,372,906
Kreielsheimer Music Fund	473,356	590,965
Kreielsheimer Theatre Fund	451,849	564,169
Roland M. Trafton Endowment Fund	139,418	174,104
Jean T. Fukuda Memorial Fund	59,173	73,866
	14,580,182	18,182,996
Board - designated endowment funds without donor restrictions	11,780,771	14,370,149
Total Foundation endowments	\$ 26,360,953	\$ 32,553,145

ArtsFund and ArtsFund Foundation Notes to Consolidated Financial Statements

Note 10 – Endowment Policies (continued)

Return objectives and risk parameters – The Foundation investment policy requires diversification of the investments among equity (target of 66% and no less than 46% and no more than 86% at market value), fixed income (target of 25% and no less than 10% and no more than 40% at market value), and alternative investments (target of 7% and no less than 0% and no more than 7%) securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Certain endowments have an annual inflation adjustment made to donor restricted funds based on the Consumer Price Index (CPI) as stipulated by the donor to protect the original gift against inflation.

Distribution policy – The overall objective of the distribution policy is to produce distributions to the Organization, as well as to preserve the real value of the endowment funds through time by growth of principal. The investment policy defines a spending target rate of 4.0% of the 16-quarter rolling average market value of the endowment ending March 31 of the subject fiscal year. In accordance with UPMIFA, the Board of Trustees of the Foundation considers the following factors when determining (1) the amounts to be distributed to the Organization in accordance with donor intent and (2) the amounts to be accumulated in the endowment funds in accordance with donor intent:

- The duration and preservation of the endowment fund;
- The purposes of the organization and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

For the years ended September 30, 2022 and 2021, the Foundation distributed 4.0% of the 16-quarter rolling market average of the endowment funds. The distribution for the Kreielsheimer Remainder Foundation endowment funds was 4.0% of the endowment balance for March 31, 2022 and 2021. The spending policy is determined on a year-to-year basis by the board for each fund within the endowment. The board has set the following guidelines with respect to any distribution:

- Retain discretion to not make a distribution if the board believes that the distribution would affect the viability of future distributions.
- Retain discretion to make a distribution that will cause the fair value of assets to fall below the original value of gifts donated if the board believes that to do so would be consistent with UPMIFA and would be consistent with express donors' intent and otherwise prudent in the circumstances.
- Reserve the right to not pay out in any given year.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level to be held in perpetuity. These deficiencies may result from unfavorable market fluctuations and/or from distributions to ArtsFund that were deemed prudent by the board and consistent with the donors' intent. In accordance with GAAP, deficiencies of this nature reduce net assets with donor restrictions. For the years ended September 30, 2022 and 2021, there were no funds with a deficiency.

ArtsFund and ArtsFund Foundation

Notes to Consolidated Financial Statements

Note 11 – Liquidity and Availability

At September 30, 2022 and 2021, the Organization had financial assets on hand totaling \$6,968,838 and \$8,312,496, respectively, which included cash and cash equivalents of \$4,358,281 and \$4,989,798, investments of \$1,724,496 and \$3,239,844, and accounts receivables of \$886,061 and \$82,854, respectively. None of the financial assets available for use are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date.

Note 12 – COVID-19 Disclosure

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

In 2021, ArtsFund, in partnership with the Washington State Department of Commerce, distributed \$10.78 million in recovery grants to 702 nonprofits in 34 counties throughout the state. The Nonprofit Community Relief (NCR) grant program was designed to provide critical funding to nonprofit arts, cultural, science, and heritage organizations; neighborhood associations; sports and recreation nonprofit groups, and veterans service organizations impacted by the pandemic.

However, the Organization cannot reasonably estimate the extent to which the pandemic may materially change future operations or consumer and donor behavior and the effects that these and other factors will have on net revenues and cash flows.

Supplementary Information

ArtsFund and ArtsFund Foundation
Schedule of Grants to Beneficiaries and Distributions of Designated Gifts
Year Ended September 30, 2022

General Grants	ArtsFund Grant
Seattle Art Museum	\$ 175,740
Seattle Symphony	170,540
Pacific Northwest Ballet	169,540
Seattle Opera	159,740
Seattle Rep	118,000
5th Avenue Theatre	93,700
Village Theatre	86,675
ACT Theatre	85,935
Henry Art Gallery	71,870
Seattle Theatre Group	66,975
Seattle Children's Theatre	66,800
Tacoma Arts Live	63,440
Wing Luke Museum	60,520
On the Boards	46,860
Tacoma Art Museum	37,400
Seattle Shakespeare Company	35,025
Town Hall Seattle	28,850
Northwest Film Forum	26,585
Artist Trust	25,900
Seattle Chamber Music Society	25,800
Totem Star	23,570
Museum of Pop Culture	22,300
National Nordic Museum	22,100
Frye Art Museum	21,260
Spectrum Dance Theater	20,000
Burke Museum Association	19,900
ArtsWest	18,650
Earshot Jazz	17,530
SIFF	17,200
Symphony Tacoma	15,600
Taproot Theatre Company	15,400
Seattle Repertory Jazz Orchestra	15,240
Red Eagle Soaring	14,545
Path with Art	14,400
Richard Hugo House	14,000
Book-It Repertory Theatre	13,500
Langston	13,100
Pilchuck Glass School	12,300
Seattle Youth Symphony Orchestra	12,300
Flying House Productions	12,000
Hilltop Artists in Residence	12,000
Intiman Theatre	12,000

ArtsFund and ArtsFund Foundation
Schedule of Grants to Beneficiaries
and Distributions of Designated Gifts (continued)
Year Ended September 30, 2022

General Grants	ArtsFund Grant
Red Eagle Soaring	\$ 12,000
Meany Center for the Performing Arts	11,300
Jack Straw Cultural Center	11,155
Northwest African American Museum	11,000
The Vera Project	10,755
Seattle Arts & Lectures	10,650
MoPOP	10,000
Hilltop Artists	10,000
National Nordic Museum	10,000
Seattle Art Museum	10,000
Wing Luke Museum	10,000
Orquesta Northwest	10,000
Urban Artworks	10,000
Arts Corps	10,000
Coyote Central	10,000
Northwest Folklife	10,000
Seattle JazzED	10,000
Totem Star	10,000
Youth in Focus	10,000
Tacoma Musical Playhouse	9,750
Central District Forum for Arts & Ideas	9,655
Velocity Dance Center	9,520
Intiman Theatre	9,400
Museum of Glass	9,150
Deaf Spotlight	9,135
Music Works Northwest	7,500
Teen Tix	7,500
Early Music Seattle	7,105
Three Dollar Bill Cinema	6,225
Seattle Pro Musica	5,305
5th Avenue Theatre	5,000
Henry Art Gallery	5,000
Jack Straw Cultural Center	5,000
The Talented Youth dba NFFTY	5,000
Theatre33	5,000
Wing Luke Museum	5,000
Delridge Neighborhoods Development Association	5,000
Music Center of the Northwest	5,000
The Northwest School	4,600
Vashon Center for the Arts	4,500
Northwest Sinfonietta	4,105
Bellevue Arts Museum	4,000

**ArtsFund and ArtsFund Foundation
Schedule of Grants to Beneficiaries
and Distributions of Designated Gifts (continued)
Year Ended September 30, 2022**

General Grants	ArtsFund Grant
Kirkland Performance Center	\$ 3,600
Tacoma Opera	3,570
Seattle Public Theater	2,705
Auburn Symphony Orchestra	2,625
Northwest African American Museum	2,500
Seattle Arts & Lectures	2,500
Arts Council of Snohomish County dba Schack Art Center	2,500
Seattle Repertory Jazz Orchestra	2,500
Three Dollar Bill Cinema	2,500
The Vera Project	2,500
Village Theatre	2,500
Asia Pacific Cultural Center	2,500
Ted Brown Music Outreach	2,500
Whim W'Him	2,300
	\$ 2,356,400

Grants are allocated on a year-to-year basis with no guarantee of ongoing support. Grants are funded by the annual fund, earnings from the endowment funds, and special grants from corporate donors. On the consolidated statement of activities, grants to beneficiaries also includes \$5,000 in grant support expenses.

ArtsFund and ArtsFund Foundation
Consolidating Balance Sheet
September 30, 2022

ASSETS

	<u>ArtsFund</u>	<u>ArtsFund Foundation</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,358,281	\$ -	\$ 4,358,281
Investments, at fair value	-	1,724,496	1,724,496
Pledges receivable, net	886,061	-	886,061
Security deposit - W. Harrison St.	10,853	-	10,853
Prepaid expenses and other	41,019	-	41,019
	<u>5,296,214</u>	<u>1,724,496</u>	<u>7,020,710</u>
NONCURRENT ASSETS			
Long-term pledges receivable	972,500	-	972,500
Long-term investments	-	24,636,457	24,636,457
Equipment and web design, net	136,144	-	136,144
	<u>1,108,644</u>	<u>24,636,457</u>	<u>25,745,101</u>
Total assets	<u>\$ 6,404,858</u>	<u>\$ 26,360,953</u>	<u>\$ 32,765,811</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable and other accrued liabilities	\$ 65,131	\$ -	\$ 65,131
NET ASSETS			
Without donor restrictions	4,663,227	11,784,133	16,447,360
With donor restrictions	1,676,500	14,576,820	16,253,320
	<u>6,339,727</u>	<u>26,360,953</u>	<u>32,700,680</u>
Total liabilities and net assets	<u>\$ 6,404,858</u>	<u>\$ 26,360,953</u>	<u>\$ 32,765,811</u>

ArtsFund and ArtsFund Foundation
Consolidating Statement of Activities
Year Ended September 30, 2022

	ArtsFund		ArtsFund Foundation			Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	
SUPPORT AND REVENUES						
Contributions	\$ 3,976,821	\$ 1,277,087	\$ 24,670	\$ -	\$ (904,670)	\$ 4,373,908
Donated services	67,636	-	-	-	-	67,636
Investment return	14,344	-	(2,372,186)	(2,964,676)	-	(5,322,518)
Other income	57,697	-	25,000	-	(25,000)	57,697
Net assets released from donor restrictions	-	-	641,500	(641,500)	-	-
Total support and revenue	4,116,498	1,277,087	(1,681,016)	(3,606,176)	(929,670)	(823,277)
EXPENSES AND GRANTS						
Program services	762,982	-	-	-	-	762,982
Supporting services						
Management and general	780,175	-	25,000	-	(25,000)	780,175
Fundraising	339,129	-	-	-	-	339,129
Total program and supporting services	1,882,286	-	25,000	-	(25,000)	1,882,286
Grants to beneficiaries	2,361,400	-	-	-	-	2,361,400
Total expenses and grants	4,243,686	-	25,000	-	(25,000)	4,243,686
CHANGE IN NET ASSETS BEFORE NONOPERATING REVENUE (EXPENSES)	(127,188)	1,277,087	(1,706,016)	(3,606,176)	(904,670)	(5,066,963)
NONOPERATING REVENUE AND EXPENSES						
Other nonoperating income	-	-	(880,000)	-	904,670	24,670
	-	-	(880,000)	-	904,670	24,670
CHANGE IN NET ASSETS	(127,188)	1,277,087	(2,586,016)	(3,606,176)	-	(5,042,293)
NET ASSETS						
Beginning of year	4,790,415	399,413	14,370,149	18,182,996	-	37,742,973
End of year	\$ 4,663,227	\$ 1,676,500	\$ 11,784,133	\$ 14,576,820	\$ -	\$ 32,700,680

